

Troubleshooters
Outside managers for short-term problems
Page 8



Tomorrow dawns
Why the Punto may be Fiat's turning point
Page 10



Change in Japan
Is this the end or the beginning?
Page 11



Summer Redstone
Why MTV is music to Grumpy's ears
Interview, page 26

FINANCIAL TIMES

EUROPEAN BUSINESS NEWSPAPER

MONDAY AUGUST 9, 1993

D8523A

Palestinians face split over Middle East peace talks



Three senior members of the Palestinian delegation to the flagging Arab-Israeli peace talks flew to Tunis, base of the Palestine Liberation Organisation, and were reportedly tendering their resignations to PLO leader Yasser Arafat (left). The move comes after differences with PLO leaders on how best to conduct talks with Israel and has reignited debate in Israel about whether the Jerusalem government should open official contacts with the PLO. Page 13

US soldiers die in ambush: President Bill Clinton promised "appropriate action" against those responsible after four US soldiers died in a landmine ambush in Mogadishu, the Somali capital. Page 12

Floods in Japan kill 41: Heavy rain in southern Japan caused floods and mudslides which have left 41 people dead and 22 missing. Picture, Page 4

French retailers falter: Galeries Lafayette, La Redoute and a number of other French retail groups have announced falls in first-half sales, highlighting the sector's depressed state. Page 13

Virgin defies French trading law: British leisure group Virgin opened its megastore on the Champs Elysees in Paris to Sunday shoppers, even though it meant incurring a FF71m (£114,000) fine. Page 2

Air Canada reported its first profitable quarter in almost two years, helped by a C\$46m (US\$35.7m) fuel tax rebate. The June quarter net profit was C\$14m against a loss of C\$129m a year earlier. Page 15; Swissair results, Page 15

Russia asks for UN help: Russia and the Central Asian republics have asked the United Nations to send observers to the Tajik-Afghan border in an attempt to end Afghan attacks. Page 3

China seeks 10.5% inflation: China's annual inflation rate could slow to 10.5 per cent if the country's macro-economic control measures proved effective, a government analyst said. Page 4

Extra maternity benefits may cost £60m: British employers could face extra costs of up to £60m (£93m) a year because the government will not offset the costs of bringing UK maternity benefits into line with EC requirements. Page 5

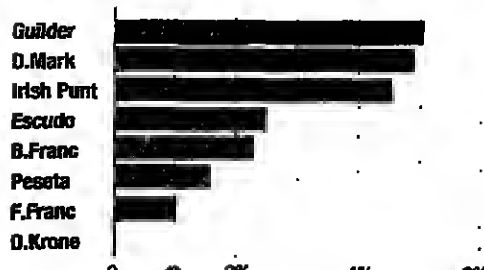
Nynex signs deal with BT: Nynex, US-owned cable operator, has signed an inter-connection deal with British Telecommunications. Until now, US cable operators have relied exclusively on Mercury to carry international calls originating from their local networks. Page 5

Earthquake hits Guam: An earthquake measuring 8.1 on the Richter scale - the most powerful recorded for four years - injured 48 people in the Pacific island of Guam.

Aircraft crashes in Stockholm: A Swedish military aircraft crashed during an air display in the centre of Stockholm and landed in woodland next to a densely populated suburb. The pilot ejected and there were no casualties.

European Monetary System: Most ERM currencies can now operate in fluctuation bands of up to 15 per cent, but one week after the introduction of the new rules, all the currencies are within 9 percentage points of one another in the ERM grid. The French franc is nearly 4 percentage points weaker than the D-Mark, well outside its former fluctuation band of 2.25 per cent. Currencies, Page 23

EMS: Grid August 6, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. After the reformation of the exchange rate mechanism on August 2, 1993, one member currency can rise against another by as much as 15 percentage points in the system's grid. The sole exception is the divergence between the D-Mark and the Dutch guilder, which remain tied to each other in a 2.25 per cent band.

Belarus seeks currency union: Belarus, having seen its surrogate currency tumble after the Russian central bank's withdrawal of pre-1993 banknotes, is trying to tie its economic survival to a new currency union with Russia. Page 3

Italian troops fight fires: A tourist was killed and hundreds of people fled forest fires on Sardinia as troops were deployed to put out blazes on the island and elsewhere in Italy.

'Red chip' flotations: Fortune Oil, a company partly under Chinese state ownership created to capitalise on the rising stream of oil imports into China, is to be floated on the London Stock exchange. Page 18; The listing of the first 'red chip' company, Page 14

Bi-partisan approach with Republicans needed for future legislation Clinton seeks deal with Congress

By Roger Matthews in Washington

US DEMOCRAT leaders yesterday sought to capitalise on President Bill Clinton's one-vote budget victory on Friday night by seeking to establish a bi-partisan approach to the next important pieces of legislation due to be presented to Congress.

"I think that in the process of governing a president has to work with the Congress to put together majority support for a package of changes that can pass," Mr Al Gore, the vice-president, said yesterday.

Mr Gore said he had repeatedly reached out to his Republican opponents during the early months of the administration but had been rebuffed. However, he said: "In order to address the

important challenges we face now we have got to try and create a bi-partisan approach."

The loss of just one more vote among the 535 members of Congress would have been enough to defeat Mr Clinton's economic package and deal a lasting blow to his presidency.

The House of Representatives passed the compromise bill, which aims to cut \$49bn from the budget deficit over the next five years, by 218-216, and it squeezed through the Senate only on the casting vote of Mr Gore.

All Republicans in both houses voted against the budget bill. But Mr Bob Dole, the Senate minority leader, said yesterday he had telephoned Mr Clinton to congratulate him on his budget victory and to suggest that there were other issues ahead on which

■ White House starts to ponder the price of victory Page 2
■ Editorial comment Page 11
■ Law Page 12
■ Bond market Page 16

they could work together.

He appeared to soften the Republican position on the possible imposition of higher payroll taxes to pay for an improved health care programme, another key element in President Clinton's programme. Mr Dole denied telling Mr Clinton that "under no circumstances" would Republicans approve higher charges, but instead "strongly disapproved" of any such proposals. "We have left the door open," he said.

But he also stressed that it would be a mistake for liberal

Democrats to believe they could raise taxes and then come back later this year and demand Republican support for additional spending cuts. "That's not going to happen," he said.

Mr Gore said he had always been confident of victory and claimed people would now begin to see the benefits of the bill after all the disinformation and misrepresentation of the past weeks. Controversy had been inevitable, he declared, because the administration was trying to change the course of the nation by creating jobs and moving the economy in the right direction after 12 years during which the federal deficit had quadrupled.

He promised further spending cuts in the autumn, especially as a result of his own programme to reduce government overheads,

and forecast that long-term interest rates would continue to decline. The tax cuts for small businesses would help to create new jobs, he said.

Other members of congress were meanwhile counting the cost of the support they had given to the budget bill - none more so than Senator Bob Kerrey of Nebraska, who kept Mr Clinton and the nation in suspense until the last minute before announcing he would vote "yes". Asked how the people of Nebraska responded to his decision, he said: "Suffice to say I went to see the movie 'The Fugitive' last night".

He and other Democrats who appeared to go against the wishes of the majority of their voters are certain to have an uphill battle to win re-election.

Nato officials say allies remain divided on the scope and timing of any action

Air strikes vital for Bosnia talks says Izetbegovic

By Laura Silber in Geneva and Gillian Tett in London

BOSNIA'S president Alija Izetbegovic yesterday warned peace talks would collapse unless Nato launched air strikes against Serb artillery maintaining a stranglehold on Sarajevo.

"I can say if there are no air strikes, then there is no peace process. No negotiations," he said in an interview on the eve of scheduled talks with Bosnian Serb leader Mr Radovan Karadzic and his Croat counterpart Mr Mate Boban.

"But I think we have never been closer [to air strikes] than now. It must be within two or three days, if the talks are to continue," Bosnia's Moslem president added.

He said air strikes were a crucial test that would add weight to the negotiations: without intervention, he dismissed the talks as "worthless".

However, Nato officials indicated Mr Izetbegovic's appeal was likely to receive a cool response when Nato ambassadors met today in Brussels to discuss possible air strikes. Nato did not intend the Bosnian Moslems to use the hope of military intervention as an excuse for stalling the talks, an official said.

Today's meeting is expected to agree on logistics for any future air strikes, out of a list of options finalised by the Nato military committee in Brussels at the weekend.

However, officials warned that the allies were unlikely to authorise air strikes today, with significant differences remaining about the scope and timing of any action.

Bosnian Serb leaders, in an apparent attempt to stall the threat of Nato military action, yesterday reiterated their offer to withdraw from strategic heights overlooking Sarajevo. Last night General Ratko Mladic, Serb military commander, announced he had reached agreement with UN forces that would lead to a phased withdrawal of his troops from the mountains.

Mr Izetbegovic repeated his threat to boycott the peace talks if Bosnian Serb forces refused to withdraw. He said Sarajevo would "never fall" to Gen Mladic. "They cannot enter the city. Every street is defended, every house."

In sharp criticism of western policy, he singled out the UK for undermining his government over the past 18 months of war. "They had two ways to help. Either directly through intervention or to lift the arms embargo. They did not do anything. Now we are left with our hands tied." Indicating he had, however, accepted Bosnia's tri-partite division, he outlined what he called his minimum requirements for a Moslem republic: "A fair map for the Bosnian republic with access to the River Sava and the sea. We must have territory covering an area suitable for 2.5m citizens."



Sarajevo residents hurry with supplies of precious water through an area where sniper fire is common

However, he refused to say whether he would back a proposal by Lord Owen and Mr Thorvald Stoltenberg, the international mediators, which would give Moslems a minimum 30 per cent of Bosnian territory. Moslems comprised the biggest ethnic group - 44 per cent of the 4.35m population - in pre-war Bosnia.

Editorial Comment, Page 11

VW admission over secrets fuels tension with Opel

By Christopher Parkes in Frankfurt

THE "belated admission" that Volkswagen employees had had confidential General Motors documents in their possession, and had destroyed them, would be of special interest to criminal investigators, Adam Opel, GM's German subsidiary, said yesterday.

Claims that Opel's allegations of industrial espionage, by Mr José Ignacio López de Arriortúa, VW's new production director, were part of a campaign to defame the Wolfsburg concern and Germany had collapsed, it added.

VW's potentially damaging admissions are believed to be contained in a written statement sent by Mr López to public prosecutors investigating industrial espionage suspicions against him and three VW colleagues, also former GM employees.

"Based on the present status of

the investigation, it is apparent that in a concealed action thousands of pages of highly sensitive data concerning cost structures, manufacturing and future planning were stolen," Opel claimed.

The US-owned company was responding to a statement published after a crisis meeting of the VW supervisory board in Wolfsburg on Friday, which re-stated its "unaltered support" for Mr López, former global purchasing director at GM.

The 20 board members, who appoint and oversee the work of group executives, declared that a thorough examination of evidence from Mr López had shown nothing to warrant charges of industrial espionage.

However, the statement said possibly sensitive information had been destroyed by former GM employees, working for VW since March in the group's official guesthouse in Wolfsburg and

at a private house in Wiesbaden. The documents had been destroyed to avoid any danger of their circulating inside VW, the statement said. "No possibly secret documents left the possession of former GM employees and came into the possession of VW."

Opel retorted yesterday that the information was technically and legally in VW hands. The attempt to suggest it was shredded in the interests of Opel was an untenable attempt to conceal the possession of a competitor's secrets, the company added.

The VW meeting on Friday was called unexpectedly following a what had been a period of mounting tension between members of the supervisory board, some of whom had complained that they were not being kept up to date with developments in the case.

Spying controversy, Page 2
VW versus old school, Page 26

GA European Open

Unparalleled Spectator Viewing

Golf Academy

Tented Village

Catering Facilities

Creche Facilities

Courtesy Coaches from Lewes Station

Champagne & Seafood Pavilion

Hospitality Packages

Golf Exhibition

Equipment Demos

Free Car Park

Trick Golf Exhibition Saturday only

East Sussex National Golf Course
Uckfield, Nr Lewes, East Sussex
9th - 12th September 1993
Pro-am - 8th September 1993

Limited hospitality available.
For information telephone:
Birchgrove Ltd.
(0276) 451666
Fax: (0276) 453351

For admission tickets please phone:
Credit Card
Hot Line
(071) 240 7200

Sponsored by General Accident

NEWS: INTERNATIONAL

With his budget bill narrowly passed at last, the president can sigh with relief and look to the future

White House starts to ponder price of victory

By Roger Matthews in Washington

NO ISSUE was more central to Bill Clinton's campaign to become president of the US than the management of the economy, and nothing contributed more to the defeat of George Bush last November. It is against that background that Thursday night's cliff-hanging vote in the House of Representatives on President Clinton's deficit-reduction budget bill, and the scarcely less dramatic vote in the Senate the following day, have to be seen. To have lost those votes, despite a Democrat majority in both houses, would not just have struck at the core of Mr Clinton's legislative programme, but would have also raised the most serious doubts about his ability to work successfully with Congress.

The wave of relief that swept through the White House shortly after 10pm on

Friday, when the Senate finally gave Mr Clinton his bill after a week of frantic lobbying, was therefore all too understandable. A victory was all that mattered, even though in the event it was by just two votes in the House of Representatives and the tie-breaking vote of Vice President Al Gore in the Senate.

How large a political price Mr Clinton had to pay for that victory, both in the country at large and in Capitol Hill in particular, and the lessons he had gleaned from it, are likely to have a decisive bearing on the remainder of his presidency.

The learning curve for the relatively young Mr Clinton and his staff at the White House was always likely to be a sharp one, and at the weekend the debate was already well under way about how the presentation and compromises struck on the budget legislation could have been better handled. Somewhere in the course of

the past five months, it is clear that the White House lost its ability to define the budget as offering a stimulus which would create jobs, and allowed the Republicans to present it instead as essentially a tax-raising exercise which would hit the living standards of middle-income Americans.

In part that was because Mr Clinton had to sacrifice important parts of the original bill. It did become essentially a budget-deficit reduction exercise, something that was not easy to sell politically, not least because the impact of the revenue-raising measures was felt immediately - even retroactively in the case of some income-tax increases - while the bulk of the cost-cutting will not occur until later in Mr Clinton's term.

But he also failed fully to get across the message that the tax changes, apart from the increase in gasoline tax, fell predominantly on the wealthiest and that there

were positive benefits for many Americans on lower incomes. The repeated if unfair assertion by Republicans led by Mr Bob Dole, the Senate minority leader, that this was the biggest tax increase in US history, bit home. As public opinion polls demonstrated last week, Mr Clinton was never able to undo the damage.

Neither was the president able to demonstrate that he enjoyed the full support of the party he leads. Long-time observers of Congress assert that rarely before has there been such a collection of individualists on Capitol Hill who so readily put personal and local interests ahead of those of country and party. Add to that the loss of ability that modern presidents are said to suffer in enforcing party discipline, and Mr Clinton's problems last week become clearer. Faced by unanimous Republican opposition in both houses, all his lobbying time was consumed in attempting to whip

recalcitrant Democrats into line. For the optimists, the worst is now over. They argued yesterday that the budget bill was always likely to be the hardest place of legislation to force through Congress, simply because it broke new ground by reversing the trend of the past 12 years. Even if its effect on the economy will be much less beneficial than its proponents would have the public believe, a start has been made. This in turn opens the door for the other key parts of the Clinton programme, such as the overhaul of the health care, changes to the welfare system, the passing of the North American Free Trade Agreement and Mr Gore's proposals for "re-inventing government", all of which are capable of attracting greater bipartisan support than was achieved during the budget debate. Mr Dole has already stressed that Republicans want to be "part of the action".

Democrats are cheered by indications that a number of Republicans are attracted by aspects of the work being done by the team headed by Ms Hillary Rodham Clinton on health care, although once again the critical issue will be on how the reforms are to be paid for. Republican leaders said yesterday they hoped that the administration had learned its lesson during the budget battle and now understood that the public would not tolerate any further tax increases.

Certainly, Mr Clinton once again has everything to play for. His political standing in the country may not have been much enhanced by his budget victory, but neither has it been seriously tarnished. One thing has assuredly not changed. He will continue to be judged fundamentally on the performance on the economy. Mr Clinton was elected to turn it around, and will sink politically if he fails.

Budget is 'all about paying for the 1980s'

A TRILLION dollars would equal a stack of \$1,000 bills 67 miles high. That is what Ronald Reagan told Congress in February 1981, when the US national debt was edging up to this thousand billion level but was still a meagre \$934bn (\$237bn).

Twelve years later the national debt is \$4.3 trillion - and the stack of \$1,000 bills is 288 miles high. Clearly, something went very wrong. But, as if indifferent to this dismal track record, politicians did not refrain this week from confidently issuing either forecasts of disaster or extravagant claims of achievement if the Clinton economic plan - the latest solution to massive US budget deficits - was enacted.

President Reagan's recipe to boost the economy was to cut personal income tax rates by 10 percentage points over three years and give tax breaks to business as well.

This time the Republicans said the Clinton budget package would smash the prospects for 800,000 small businesses, cost jobs and retard the recovery. Democrats said it would cut the deficit by \$50bn over five years, turn the country around and end the "gridlock" in Congress and create 80 jobs.

Among the budget's 15 pounds of pages (according to one congressman, who presumably brought a scale to his office) are thousands of provisions whose effects were vigorously debated.

"As surely as night follows day, these proposals provide those who save the most with the incentive to save less," declared Congressman Rick Lazio, a New York Republican.

"With productivity finally on the move, these tax changes provide the incentive to work less or not at all."

In Texas alone, the new taxes will cut 41,000 jobs, said Congressman Jack Fields, another Republican. The legislation would provide \$3 in tax rises and fees for every \$1 in

"promised future spending cuts".

Congressman James Moran, a Virginia Democrat, had a different view. The legislation would reduce real estate taxes, encourage debt restructuring, authorise mortgage revenue

Nancy Dunne on the economic effects on the real world

bonds and low income housing tax credits. It would "break the back of the credit crunch that is strangling this economy and reduce the number of properties that have to be seized by failed banks".

Meanwhile, economists in the real world were watching the "theatre of the absurd", as one called the congressional show this week. Most said the impact of the legislation on the US economy would be slightly negative in the short run, modestly positive over the long term and possibly negligible overall.

Economists believed it contained little economic stimulus although the \$21bn to be returned to the "working poor" in earned income tax credits might boost some additional spending.

However, Mr Richard Hovey, chief economist at the investment fund group Dreyfus, is worried about the impact of the budget on consumer spending habits of the well-off. He said: "I think it's a depressant on the consumer area - what you have is a permanent income tax increase on the higher-spending portion of the population."

He believes higher taxes will crimp consumer demand, which will "keep the US economy in a restrained expansion mode".

Mr Robert Brusca of Nikko Securities agrees that President Clinton is wrong to have

targeted high-income individuals for tax increases. "He's taking too much money away from people who aren't as rich as he thinks. The economy is weak and it's going to hurt."

Many economists initially were disappointed that the president did not seek a larger budget reduction package. But upon seeing the "absurd spectacle" in Congress, they began to think that Mr Clinton had done the best he could.

Mr Bruce Steinberg, a manager at Merrill Lynch, said a tax payment of this size in the economic package - about \$240bn - would usually tend to slow the economy. But more than half the fiscal drag would be offset by interest rates lower than they would be without deficit reduction.

"The effect is at most 0.5 per cent of GDP, most likely only 0.1 or 0.2 per cent," he said.

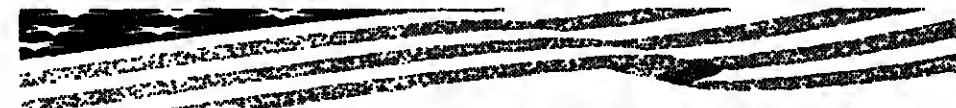
The tax package might hurt some small businesses, whose tax rates could rise from 31 to 36 per cent if they earn more than \$200,000 a year. But "a lot of these guys are doctors, lawyers and accountants" who do not hire many workers in any case, Mr Steinberg said.

Mr Barry Bosworth, an economist with Brookings Institution said there would be "very small" depressive effect in the short run.

However, a smaller deficit means less government borrowing and higher savings and capital formation for the private sector. Much of the corporate finance restructuring is over, but corporations still are not borrowing much, which is one reason for the lower long-term interest rates.

Mr William Griggs, a former Treasury official, agreed with Republicans who wanted to stress budget cuts over new taxes which probably would not produce the revenue the president expected. However, "the depressing effects of this have been overdone," he said.

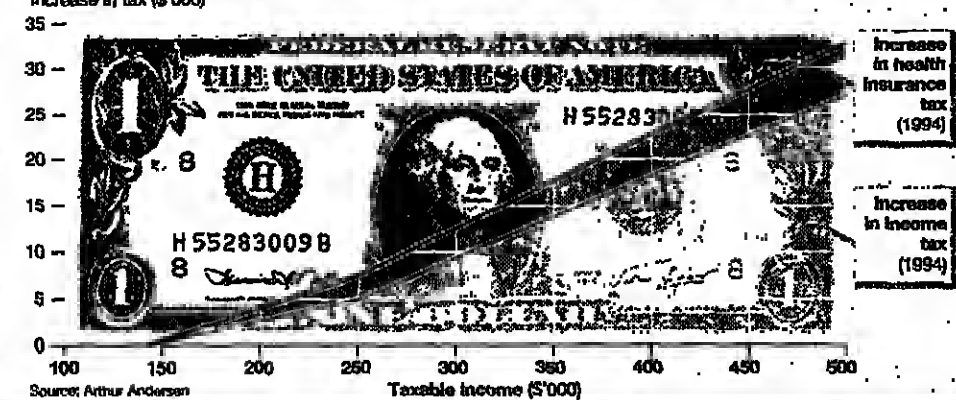
"We will get a rise in confidence from having it passed



Major provisions	1994-98 (\$bn)
Total deficit reduction	406
Net spending cuts	255
Total revenue increases	241
Savings preserved in deficit reduction trust fund	406
Savings available to be spent	0

Tax increase: who pays?

Combined effect of new individual income tax rates and health insurance tax (married, filing joint returns)



Main spending cuts

Discretionary spending freeze (1993 levels)	1994-98 (\$bn)
Medicare	-102.1
Medicaid	-56.0
Health	-11.8
Radio spectrum auction	-7.0
Student loan reform	-4.6
Agriculture	-3.0
Banking and housing	-2.9
Customs savings	-2.5
Veterans	-2.6
Welfare savings	-1.1

Main tax changes

Upper-income individual taxes:	1994-98 (\$bn)
Increased rates for high-income individuals	-115.1
Repeal \$135,000 Medicare payroll tax wage cap	-28.2
Corporate tax rate/estimated tax	-24.2
Social Security	-24.6
4.3 cents fuel tax	-24.3
Low-income housing credit	4.9
Research tax credit	4.6
Small business expensing	4.6
Targeted capital gains for small business	0.8

Source: Senate Budget Committee, US Office of Management and Budget

Revenue increases shown as negative numbers

and most taxpayers will find they have almost no tax increase."

The consensus is that job creation may move more

slowly than without the new taxes, but the 2m jobs that Mr Clinton promised in the election will still be created this year, and labour force growth

has slowed.

The budget deficit had to be attacked at some point. "It's all about paying for the 1980s," said Mr Griggs.

Deficit plan's impact already discounted

By Patrick Haverson, Karen Zagor and Niddi Tait in New York

CONGRESSIONAL approval of President Bill Clinton's economic plan is unlikely to provoke much reaction from investors when US financial markets open today. The budget measures have been debated for several months, and their impact on the economy has already been priced into both bonds and stocks.

In some quarters of industry, the 11th-hour haggling over the package produced noticeable signs of relief. The General Aviation Manufacturers Association, which represents makers of small aircraft and corporate jets, described the proposed repeal of the luxury tax as good news.

"That has been a deterrent, especially to those buyers who use an aircraft partly for business and partly for their own use," said CIMA. The trade association also benefited more easily when it learnt that new registration fees would not be imposed on aircraft, and welcomed the much smaller than threatened 43 cents a gallon petrol tax. "That's not going to kill us," it commented.

The National Marine Manufacturers Association was equally encouraged, and glad to see that the tax on luxury items priced at above \$100,000 (\$27,000) died.

A spokesman said: "The tax cost about 25,000 to 30,000 people their jobs on boat lines. It devastated sales of the product, which fell about 70 to 80 per cent. So its demise is good news for boating and for the big boat sector particularly."

Other industry groups were critical of some of the concessions made. The beleaguered commercial airline industry said that it remained ada-

manly opposed to the imposition of increased taxes on jet fuel - despite the fact that these duties will not now come into effect until October 1995.

"We're continuing to oppose the fuel tax on airlines," said the Air Transport Association, which represents the main US carriers. "The two-year exemption is not really the point. We think we make our fair contribution already."

Mr Eric Johnson of the Northeastern Loggers Association

"The president compromised a bit too much and that may come back to haunt him"

also criticised some of the last-minute haggling, in which senators won concessions for special interest groups, in exchange for supporting the package. "You afraid the president compromised a bit too much and that may come back to haunt him," he said.

Meanwhile, Monsanto, the big US chemical company, expressed its displeasure over a 90-day moratorium on the sale of bovine growth hormone - a measure designed to appease Senator Russell Feingold, a Wisconsin Democrat who had pushed for a one-year delay. The moratorium will start after the Food and Drug Administration approves the drug, expected later this year.

"Even if it has come down to a one-day moratorium, we would have thought it was wrong," said Monsanto. "It violates having a scientific regulatory process. There is no reason and no justification for it and we believe that most members of Congress feel that way as well."

Megastore open despite FFrm Sunday trading penalty

By Alice Rawsthorn in Paris

VIRGIN, the British leisure group, yesterday again defied the French authorities by opening its opulent megastore on the Champs Elysees in Paris, even though it meant paying a legal fine of FFrm (£114,000).

Mr Patrick Zelnick, the flamboyant chairman of Virgin in France who has led the two-year battle against France's Sunday trading ban, described yesterday's opening as "a bit like a last stand". The shop opened as usual at noon with a banner emblazoned across its facade saying "In the name of Sunday we'll fight to the end."

Virgin said, however, that it would decide this week whether to open next Sunday.

The latest bout of the Sunday trading battle began last month when the COT trade union won a court order to force Virgin to close on Sundays. Virgin has continued to trade despite the ban and on Friday won an appeal to reduce its fine from FFrm to FFrm.

"It's obvious that we can't carry on paying such huge penalties," said Mr Zelnick, who throughout the Sunday campaign has shown the same flair for attracting media attention as Mr Richard Branson, Virgin's founder. "But we're still opening the store today to show how stupid the situation has become."

The Champs Elysees megastore, set in a lavishly renovated hanking hall, usually attracts 30,000 customers and generates a fifth of its weekly

sales on Sundays. The timing of the current skirmish could scarcely be better for Virgin, which would usually expect to see business slow down in August, a holiday month in France. However, the shop was packed yesterday, not only with shoppers, but with television crews and journalists.

"This is the first time I've been here," said Ms Séverine Hinault, 23, a student from the Paris suburbs. "I didn't even realise Virgin was open on Sundays until I saw the television coverage of the campaign."

The store looked so great that I had to come. "I'm here to show my support for Virgin," said Mr Guillaume Rochard, a 23-year-old office worker. "I often come on Sundays to spend a couple of hours in the store. I work all week so I don't have time to shop. Why shouldn't Virgin open on Sundays? It isn't doing any harm."

The shop has set up a special counter where Mr Rochard can sign a petition in support of its campaign. Mr Branson has said 450,000 people have signed so far. Virgin also sells campaign T-shirts - bearing the slogan "I vote yes to the Virgin megastore opening on Sunday" - for FFrm44 each.

Virgin has stepped up its lobby to persuade the government to reform the 1986 Sunday trading laws. Mr Branson last week threatened to scrap his plans for expansion in France, which could involve creating 1,000 jobs in five years by opening 25 new shops.

The government has been split over the Virgin battle. Mr



Associated Press
"In the name of Sunday we'll fight to the end," reads the banner outside Virgin's Paris megastore yesterday

Jacques Toubon, arts minister, has argued that Virgin should be exempted from the Sunday ban. Mr Michel Giraud, employment minister and the

chief target of the union protest, has urged Virgin to respect the law but promised that parliament will debate the 1986 legislation this autumn.

Actress named to chair US arts agency

By Karen Fricker in New York

PRESIDENT Bill Clinton made his first big move in arts policy at the weekend by nominating award-winning actress Ms Jane Alexander to chair the National Endowment for the Arts (NEA), the government agency which issues grants to performing and visual artists.

The chair has been vacant since January when Ms Anne-Marie Radice, a conservative Bush appointee, stepped down; it has been filled in the interim by Ms Ana Steele, a longtime NEA employee, who said Ms Alexander was "a superb choice".

The Endowment, which has a budget this year of \$174m (\$117m), has been under heavy attack in recent years from members of Congress and conservative religious organisations who question the government's use of public funds to support artists who treat sexual and religious material in an outspoken manner.

In a statement on Saturday Mr Clinton said: "The Endowment's mission of fostering and preserving our nation's cultural heritage is too important to remain mired in the problems of the past."

Ms Alexander is currently starring in the hit play *The Sisters Rosensweig* on Broadway.

She has performed in 40 films and over 100 plays in New York and this regions.

VW steers away from spying controversy

By Christopher Parkes in Frankfurt

A MONTH or more after joining Volkswagen, former General Motors managers were still working diligently on their old employer's behalf.

Shredding documents is not the sort of work automotive purchasing and production men are used to, but they got on with the job.

According to Volkswagen, they took pains to ensure that documents which could "possibly" belong to GM and could "possibly" contain sensitive information were destroyed. Their aim was to "avoid any danger" that the information should fall into VW hands - in other words they were working in the interests of their ex-employer, General Motors.

Eye-witnesses said two of the German group's supervisory board, Mr Jorge Alvarez Aguirre and Mr Rosario Piazza, worked through one night in April, filling a van parked outside a Wiesbaden house "metres-high" with bags of confetti.

According to VW, others carried out their shredding in the Gastehaus Rotehof, a comfortable Wolfsburg hotel owned by Volkswagen and used customarily for entertaining distinguished visitors. Mr José Ignacio López de Arriortúa, newly appointed production director and ex-GM global buying chief, for example, stayed there while house-hunting.

In one 30-line statement, issued close to midnight on Friday, Volkswagen effectively

put paid to its new employees' persistent claims that none of them took any documents when they left GM and Adam Opel, the US group's German subsidiary last March. Since GM papers are now admitted to have been in the hands of VW employees on VW property, it will make it more difficult for the German group to sustain claims that no secrets made their way to the Volkswagen headquarters at Wolfsburg.

Opel said yesterday that the weekend's admissions - notably on the Rotehof shredding activities - would be of particular significance to public prosecutors investigating suspicions of industrial espionage against Mr López and three associates.

The bizarre statement, which emerged after a meeting of the German group's supervisory board, was otherwise much as expected. The board, which hires, fires and ensures the decent conduct of executives, restated "unshaken confidence" in Mr López and in chairman Mr Ferdinand Pisché's claim that the group would break even this year.

As befits a case in which disappearing acts have so far been everyday occurrences, there was much missing from the board's declaration. There was, for instance, no mention of the shredders' names and no explanation of how or why the papers were taken or sent to Wolfsburg.

But something else was missing. Although the statement reiterated its support for Mr

López, there was no mention of a declaration two weeks ago in which an élite group of senior supervisory directors said they would stand by him unless and until he was found guilty. Volkswagen is hanging on to its miracle-worker, but its grip appears to have loosened. But as in the past, the group refrained from offering any explicit support for his colleagues. Indeed, the shredding revelations suggested more than ever that Mr López's associates have been cut adrift.

THE FINANCIAL TIMES
Published daily except on Sundays and public holidays.
Printed in Great Britain by the Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone +49 69 154 430. Fax +49 69 5964481. Telex 416193. Registered by Edward Hugo, Managing Director, at the Registrar of Companies, London SE1 9JL, UK. Shareholders of the Financial Times (Europe) GmbH are the Financial Times (Europe) Ltd, London and F.T. (Germany) Advertising Ltd, London. Shareholder of the above mentioned two companies is The Financial Times Limited, Number One Southbank Bridge, London SE1 9JL. The Company is incorporated under the laws of England and Wales. Chairman: J.C.M. Bell.

FRANCE
Published by J. Remy, 168 Rue de Rivoli, F-75004 Paris Cedex 01. Telephone (01) 4297-0621. Fax (01) 4297-0629. Telex 54 100 000. Registered by J. Remy, 168 Rue de Rivoli, F-75004 Paris Cedex 01. The Company is incorporated under the laws of France. Chairman: J. Remy. Paris No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vintholmsgade 6A, DK-1161 Copenhagen K. Telephone 33 44 41. Fax 33 93 33 35.

Recovery seen emerging for Russia in 1996

By Leyla Boulton in Moscow

THE crisis of the Russian economy will continue well into next year, but economic recovery can be expected in 1996, according to the government's latest blueprint for market reform.

This medium-term programme, approved on Friday, also claims to have digested the lessons of last year, including the need for more social cushioning, more action against inflation, and selective rather than across-the-board support for industry.

It lists unchanged strategic aims, such as land reform, and sets out essential institutional changes, such as the creation of an effective secondary share market. The latter has failed to materialise so far, despite the issuing of millions of shares as part of an ambitious mass privatisation programme.

It also provides some details of a long-promised industrial policy. This includes, for instance, a need to convert military aircraft factories to the production of civilian aeroplanes - a process already under way. But, on a hoisted sector such as metallurgy, it remains vague, talking of the need to reduce pollution and improve its raw materials base.

The programme expects the economy to begin stabilising in the second half of 1994, saying that the completion of mass privatisation by then will have

improved company performance and financial discipline. It hopes for inflation to fall to 5-7 per cent a month next year, compared to 19 per cent last month. It sees the budget deficit hovering beneath the target of 10 per cent of GDP by the end of 1995. It expects the equivalent of 35 per cent of gross domestic product to be in state hands. It also expects an unspecified growth in living standards by then.

In 1996, along with a halt in the slide of Russian energy production, and stabilisation of agricultural output, it predicts the beginnings of a resumption of economic growth.

Finalised after last month's botched monetary reform, the report says, "there are no serious reasons to predict catastrophe unless we ourselves bring them into being".

The European Commission announced at the weekend a temporary solution to a row with Russia over aluminium imports, by announcing it would restrict imports from the Commonwealth of Independent States to 60,000 tonnes between now and November.

This quota would include

Appeal for UN help over Afghans

By Leyla Boulton in Moscow

RUSSIA and the Central Asian republics have appealed to the UN to mediate, and to send observers to the Tajik-Afghan border. In an attempt to end Afghan attacks on a strategic border of the Commonwealth of Independent States.

At a weekend summit to discuss the Tajik crisis, Russian President Boris Yeltsin failed to extract specific commitments from his Central Asian partners for a joint peace-keeping force. So far, the brunt of peace-keeping has been carried by the Russian army, with help from Uzbekistan and a single battalion from Kyrgyzstan.

The president of Turkmenistan, which plans to operate alone economically and politically by relying on vast reserves of natural gas, did not attend the meeting. Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan endorsed, with Russia, a vague statement that they would respond appropriately if attacks were to continue, and that Tajikistan would receive more military and humanitarian assistance.

The foreign ministers of the



Eduard Shevardnadze: Sole master of the Georgian emergency

five countries appealed to Mr Boutros Boutros Ghali, UN secretary-general, for mediation to pave the way for talks with Afghanistan. They also asked the UN Security Council to send observers to the border and to examine urgently a crisis combining attacks from Afghanistan and civil war in Tajikistan.

Meanwhile, Mr Eduard Shevardnadze, the leader of Georgia, another war-torn republic south of Russia, found himself the sole master of the local combination of economic mess and civil war, his cabinet having been forced out of office by parliament on Friday. Mr Shevardnadze, adding the premiership to his already dominant role as head of state, claimed Georgia faced extinction unless emergency powers were concentrated in his hands.

Belarus seeks currency union with Russians

By Matthew Kaminaki in Minsk and Leyla Boulton in Moscow

BELARUS, having seen its surrogate currency tumble after the Russian central bank's withdrawal of pre-1993 banknotes, is now trying to tie its economic survival to a new currency union with Russia.

The value of coupons issued last year in Belarus to make up for a shortage of rouble banknotes from Russia has fallen 25 per cent in the past two weeks.

While roubles traded in Moscow have remained at about Rb1,000 to the dollar, the coupon, called the hare because of the animal's shorn on the makeshift banknote, was fetching the equivalent of Rb1,550 to \$1 on Friday.

The weakening of the hare also means that Belarus has to pay more for Russian goods and receive less for its exports to Russia - a body-blur in that most Belarus trade is with its giant neighbour. The exchange rate between the Russian rouble and the Belarus rouble has risen from 1:1.8 on July 31 to 1:2.8 on Friday.

Unlike other former Soviet republics enraged by the Russian central bank's withdrawal of notes, the Belarusian government, always respectful towards Moscow in public,

appears to accept the central bank move.

The reformist chairman of the Belarus parliament, Mr Stanislav Shushkevich, who is also head of state, insisted in an interview that the step had done "no great damage". Instead of introducing its own fully fledged currency, as some republics, such as Turkmenistan, plan to do, Belarus would keep the rouble on conditions to be agreed with Moscow, he said.

Similar undertakings were made at the weekend by Kazakhstan, the second largest former Soviet republic, and Uzbekistan, the most populous of the Central Asian republics. Central Asian leaders, meeting Russian President Boris Yeltsin in Moscow at the weekend, called for a meeting on September 7 of all republics keen to build an economic union.

Russia has long demanded that republics abandon the rouble as their currency or subscribe to common budgetary, financial and monetary policies dictated by Moscow. The central bank move appears to have helped speed their decision.

"We are ready to establish common credit and bank policies, a common tax policy and

to set aside all Customs duties," Mr Shushkevich said.

A small country of 10.7m people, which made up just 1 per cent of GDP of the former Soviet Union in 1992, Belarus has staked much political capital on rebuilding economic ties with the rest of the ex-Soviet Union.

Staying in a newly recreated rouble zone, government officials hope, might stem the drop in inter-republican trade, down by 40 per cent since 1991.

About 70 per cent of imports, including 90 per cent of energy supplies, come from Russia. "If our relations remained the same as before, the economy would be better," said Mr Vladimir Khilko, chairman of the Belarus Savings Bank.

To that end, even before the central bank move, Mr Vyacheslav Kebich, the prime minister and a conservative, last month agreed to work on an economic union with Russia and Ukraine, due to be signed next month. Mr Kebich and Mr Shushkevich, political opponents, see eye-to-eye on economic union - though Mr Shushkevich, against a majority in parliament, opposes a collective security agreement with Russia.

Romanian coal miners flex their muscles

By Virginia Marsh in Bucharest

COALMINERS from Romania's Jiu Valley, who spearheaded violent anti-reform rallies through Bucharest in 1990 and 1991, are once again out on strike, pressing the government for higher wages.

But so far the government, unlike its predecessors, has not caved in. It has instead begun legal action to have the strike, which today entered its second week, declared illegal.

The miners' position seems untenable. Romanians appear solidly opposed to the strike, angered by the miners' demands for an average wage of the equivalent of \$290 a month. Most workers earn less than \$90. Workers in the same trade union confederation as the miners have ignored appeals by their leaders to strike in solidarity.

The Ministry of Industry argues that the 6m tonnes of pit coal produced each year in the Jiu Valley's 13 mines is not a vital source of energy. The region's coal supplies two nearby power stations but these plants, which together account for only 4 per cent of the country's electricity capacity, could also be run using lignite and gas.

The ministry further argues that the miners are in danger of pricing their coal out of the market. According to the ministry, if the miners' pay demands were met, the cost of their coal would double. Even at present prices, Ukrainian coal is being imported to the Romanian market.

The strike seems motivated by a number of factors. The rank and file have come out because they want more money to compensate for the

difficult conditions in which they live and work.

They are also following the call of their charismatic leader, Mr Mircea Cosma, the man who led them on protests to Bucharest and secured their earlier wage increases.

Mr Cosma's motive for calling the strike - for which, surprisingly, he has the support of RAH, the state-owned coal mining company - are less obvious.

The ministries of industry and finance are conducting investigations into charges of fraud and embezzlement by Mr Cosma and several senior RAH company officials. The company's chief accountant and budget director have already been fired, following earlier investigations.

Ministry of Industry officials argue the strike could be an attempt to divert attention from the investigations.

Mr Cosma, however, appears confident. One of his bargaining tools is the threat, albeit veiled, of fresh violence.

In response to the question as to whether he intends to lead his men, who appear to support him wholeheartedly, to Bucharest again, he says: "With miners, anything is possible."

But he is also making political threats. In recent months, Mr Cosma has claimed he has evidence that senior government officials, including President Ion Iliescu, called miners to Bucharest as part of plans to consolidate their own power.

Mr Cosma appears increasingly willing to talk if his demands are not met. It remains to be seen whether those involved in the incidents of 1990 and 1991 now feel confident enough to ignore him.

EVERY DAY, ENOUGH COPPER FLOWS INTO HONG KONG'S HARBOUR TO PLATE BIG BEN.

WILLIAM LAU IS WORKING ROUND THE CLOCK TO STOP IT.

This year, Waste Management International plc has made an important contribution to life in Hong Kong. Our Enviropace Ltd. subsidiary has opened Asia's first comprehensive waste treatment facility. And not before time, some might say.



Currently, the vast majority of Hong Kong's industrial waste is dumped - via an overburdened sewer system - into Victoria Harbour.

Daily, this includes enough copper to plate Big Ben. And enough metal to build two London double decker buses.

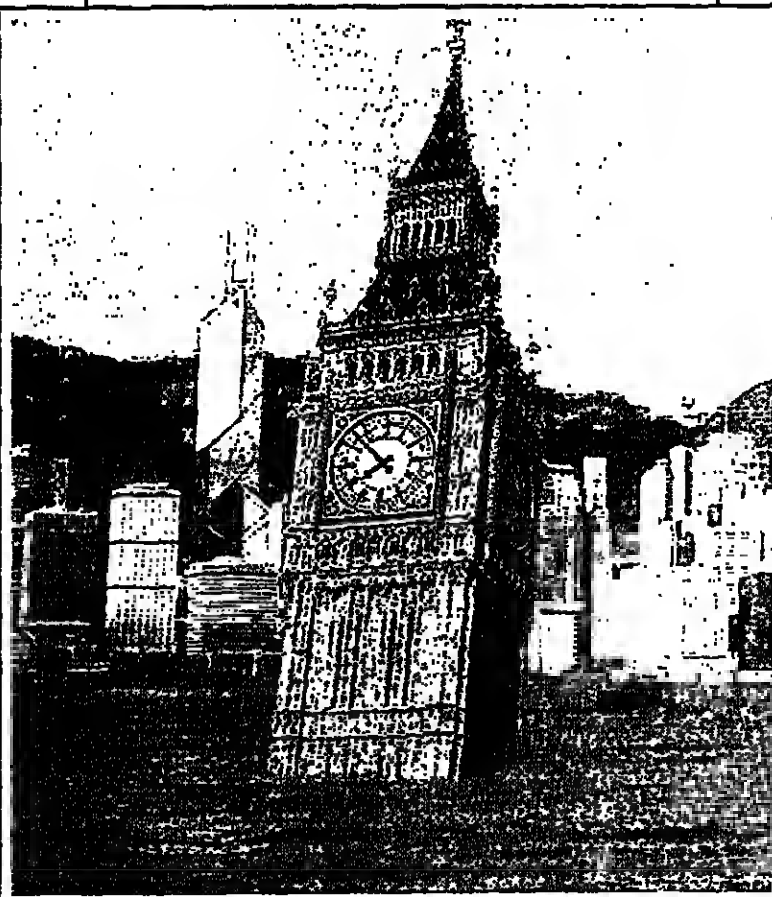
Now, with the start up of the Hong Kong Chemical Waste Treatment Centre, Enviropace is helping to stop the clock on these and other discharges.



Under a unique contract with the Hong Kong Environmental Protection Department, Enviropace designed, built and now operates the facility, providing

environmentally safe waste treatment for thousands of local manufacturers.

With two advanced treatment systems, incorporating nine individual units, the Centre boasts some impressive technology. But the human



aspects of the operation are perhaps even more important. Designed and built by an international team, it is now operated on a purely local basis. From technical manager William Lau to our

gatekeeper, all staff - except for a handful of temporary support personnel - are Hong Kong recruits.



This is crucial to our philosophy. We like to see our local installations run by local people; people who take real pride in doing something positive for their own community.

With the help of William Lau and Waste Management International, Hong

Kong has taken a major step towards improving its environment. Now, in the Year of the Rooster, Hong Kong really does have something to crow about.

Today, we provide environmental services for over 150,000 businesses and for millions of households in 16 countries across the world.

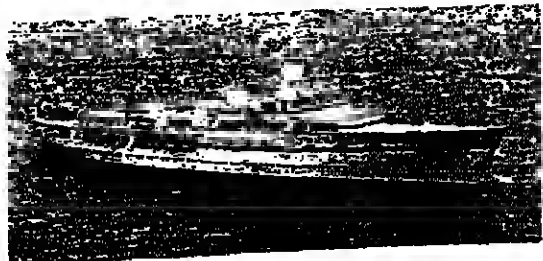
Our operations encompass collection, treatment, recycling and incineration of most types of waste materials, landfill disposal, waste-to-energy facilities, waste water treatment, contaminated site remediation, and on-site waste reduction and minimisation services.

For more information, call us on 44-81-563 7000.



Waste Management International plc
LOCAL PRESENCE. GLOBAL KNOW-HOW.

THE WORLD'S FINEST TRADITIONAL MOTORYACHT



The MY Massarah (formerly Ulima II) at 257' (78.65m) is one of the largest private yachts in the world.

Built at the Kure shipyards, Japan in 1960 this classic yacht has been superbly maintained and lovingly restored and now even surpasses her former glory.

Equipped with modern communications systems designed with vast deck space and many day areas, the Massarah is ideal for private use, corporate entertaining or as a Presidential or State yacht.

Lying in the Mediterranean. Price on request. For further details contact:
Mark Cavendish, Cavendish White,
No.7, 39 Tadema Road, London, SW10 0PY
Tel (44 71) 352 6565 - Fax (44 71) 352 6515

NEWS: INTERNATIONAL

Control over fixed assets investment seen as crucial

Beijing aims for 10.5% inflation rate

By Lynne O'Donnell in Beijing

CHINA could stave off inflation to an annual 10.5 per cent, according to a senior government analyst.

Mr Lai Guangxian, director of the economic forecasting department of Beijing's state information centre, said the rate depended on the effectiveness of the government's current macro-economic control measures.

Mr Lai, quoted in Sunday's official Business Weekly newspaper, said China's total annual money supply could be kept to about Yn150tn (\$26.31bn).

Money supply in the first half, according to government figures, was Yn52.8tn and growing at an annual rate of 50 per cent.

Control of fixed assets investment, which grew by an annual rate of 61 per cent in the first half, was especially important, Mr Lai said.

"The slowdown in inflation could be achieved by controlling the country's total investment in fixed assets to a growth rate of about 28 per cent and limiting total retail sales growth to about 18 per cent for the year," the Business Weekly said. First-half retail sales increased 21.6 per cent on the same period last year.

Figures released last month by the state statistical bureau show China's economy grew in

the first half by an annual rate of 13.9 per cent, more than a full percentage point higher than the 12.8 per cent recorded for 1992.

Inflation was shown to be running at a year-on-year 14 per cent nationally, but 21.6 per cent in 35 big cities.

Investment in fixed assets shot up to Yn354.2bn, with investment by the state sector growing by 70.7 per cent, to Yn219bn.

In June the government began implementing austerity measures aimed at cooling the economy, which has been compared by both local and international observers to a runaway train.

The measures have so far included directives to specialised banks to recall all high-risk loans, stop lending to non-banking financial institutions and stop running commercial companies.

Bank lending and deposit rates have been increased with the aim of boosting faith in banks and to stabilise domestic prices.

The official People's Daily said Beijing's call to strengthen control over economic growth rates had yielded "preliminary results in certain areas". But in a separate, strongly worded commentary, the Communist party said local officials must obey new policies and stop trying to shield their regions from the go-slow order.

Dark motives seen in Hanoi's power policy

By Iain Simpson, recently in Hanoi

FOREIGN investors in Vietnam and their domestic counterparts are becoming increasingly frustrated with the country's power supply.

In Saigon, the former South Vietnamese capital and the focus of foreign investment in the country, frequent brownouts mean factories and many offices have invested in expensive generators to keep equipment running.

As the Vietnamese economy contin-

ues to grow, the demand for electricity outstrips the ability of the system to provide it. Officials in the ministry of energy say demand in the south is at least 20 per cent above capacity, and the gap is likely to widen over the next few years.

Economic development is concentrated in the south of the country, while most of the country's electric power is generated in the north. Some foreign observers suggest this is aimed at keeping the south in thrall to the north.

A dam and hydroelectric plant in northern Vietnam has worsened the imbalance. The dam, which was started as a Soviet aid project and which will produce 8.5bn kilowatt hours a year when the final turbine is switched on later this year, will more than meet demand for power in the north. Yet Hanoi has plans for a second dam and power plant up river, at a cost of up to \$4tn (\$2.6bn).

The government is expected to apply for a project loan from either the World Bank or the Asian Develop-

ment Bank. However, as this type of centralised project has fallen out of favour with the institutions, Hanoi may have to look elsewhere to raise the money.

The government is already committed to finding at least \$550m for the construction of a 1,500km transmission cable from northern Vietnam to the south. It is claimed this will balance supply in the two halves of the country, and cut the level of power lost in transmission.

However, the line will not be com-

pleted for at least another year. The energy ministry has a long-term development plan to increase generating capacity to 25bn kilowatt hours by the year 2006, from 10bn kilowatt hours this year.

According to Mr Nguyen Tien Hai, a director at the ministry, growth levels can cope with the increased demand in the short term, but after 1996 the gap between supply and demand could widen rapidly as rural industries and small businesses are set up.



Rescuers carry a body from a Kagoshima hospital which was engulfed by a landslide following torrential rain sweeping southern Japan. The death toll in floods rose to 41 yesterday and an estimated 22

people were missing, a police spokesman said, Reuters reports.

Three rivers running through the city, the provincial capital of Kagoshima prefecture on Japan's main southern island

of Kyushu, have burst their banks since the downpour started on Thursday. In some places flood waters reached waist level, washing away cars and leaving thick layers of mud in homes and shops.

NEWS IN BRIEF

Death sentences for 34 Algerians

AN Algiers court condemned 34 Muslim fundamentalists to death at the weekend, the government newspaper El Moudjahid reported yesterday, Reuters reports from Algiers.

Five of the condemned were among 22 men in a special court facing charges which included setting up an armed group, conspiracy against the state, murder, kidnapping and sabotage.

A further 29 men being hunted were sentenced to death in their absence, the newspaper said.

Kuwait workers on rampage

Foreign workers at a Kuwait refinery went on a rampage during a strike over poor conditions, overturning vehicles and smashing their residence, Reuters reports from Kuwait.

The disturbance - unknown among Kuwait's foreign labour community - occurred on Saturday during a one-day stoppage by about 2,000 maintenance workers at Kuwait's Muna al-Abdullah refinery.

Their nationalities were not given but most maintenance crews are staffed by Filipinos, Indians, Bangladeshis and Sri Lankans.

The strikers complained of inappropriate living conditions, a lack of suitable food and said annual holidays were not long enough for them to attend to family business back home, the Al-Watan newspaper said.

Blast kills Hindu militants

A powerful bomb killed at least three Hindu militants in India's southern Tamil Nadu state yesterday, their group's spokesman said, Reuters reports from Madras.

He said the explosion ripped through the headquarters of the right-wing Hindu Rashtriya Swayam Sevak Sangh (National Volunteers Corps) in Madras, capital of Tamil Nadu. Several people were injured.

Singapore poll candidate

Mr Joshua Jeyaretnam, an opposition leader in Singapore, is to contest the republic's first presidential election, due to be held at the end of this month, writes Kieran Cooke in Kuala Lumpur.

Mr Jeyaretnam, a lawyer who once held senior positions in Singapore's judiciary, became Singapore's first opposition MP in 1981.

An outspoken critic of Mr Lee Kuan Yew, Singapore's former prime minister, and the governing People's Action party, Mr Jeyaretnam has frequently been in trouble with the Singapore authorities.

In 1986 he was convicted for improper use of his Workers' party funds and barred from contesting elections for five years. He was also struck off the roll of lawyers.

Under Singapore's new presidential rules a three-member presidential election committee decides on the eligibility of candidates to contest an election. Two other leading Singapore figures have put themselves forward as candidates - Mr Ong Teng Cheong, now deputy prime minister, and Mr Chua Kim Yew, a former accountant general.

Chinese floods hit homes

Floods in the south China province of Hunan have stranded 527,000 people and destroyed 163,000 homes, according to the Xinhua News Agency, Reuters reports from Beijing.

It said the flooding Lishui and Yuanjiang rivers, swollen by torrential rain which fell at the end of July, also damaged crops on about 8m hectares of farmland.

Osman to be freed later this month

MR Lorrain Osman, former chairman of Bumiputera Malaysia Finance, will be freed later this month, almost eight years after he was arrested on charges of fraud in connection with the collapsed Carrian group, writes Simon Davies in Hong Kong.

The remaining 15 criminal charges against Mr Osman were dropped on Friday, leaving the Malaysian banker to complete a one-year sentence handed out in June. His jail term has been reduced by good behaviour and time already spent in prison. Carrian, a Hong Kong listed property and shipping group, collapsed in 1985 with bad debts of more than US\$1bn.

The subsequent legal battle

has been the longest and most costly in Hong Kong's history.

Carrian's managing director, Mr George Tan, was acquitted in 1986 of conspiracy to defraud shareholders in a decision which a leading lawyer described as "bizarre and irrational". Mr Tan will face further bribery charges next month.

In June Mr Osman pleaded guilty to charges of conspiring to defraud Bumiputera Malaysia Finance by authorising US\$292m of loans to a company controlled by Mr Tan. The company had no assets and paid-up capital of only HK\$2.

The case has cost Hong Kong taxpayers more than HK\$100m (\$13m).

Bhutto's brother in power bid

MR Murtaza Bhutto, the exiled brother of Ms Benazir Bhutto, Pakistan's opposition leader, plans to return to contest the October elections, raising speculation of a power struggle in the Bhutto family, writes Farhan Bokhari in Islamabad.

The polls were called after Prime Minister Nawaz Sharif and President Ghulam Ishaq Khan stepped down last month.

The Bhutto family has led the Pakistan People's party, the most important opposition force, for almost 25 years. Mrs Nusrat Bhutto, the family's matriarch and Ms Bhutto's mother, said at the weekend that Mr Bhutto would end his 16-year exile in Damascus.

He fled Pakistan in 1977 when an army coup toppled his father, former prime minister Zulfikar Ali Bhutto, who was later executed following a conviction for conspiring to murder a political opponent.

Babangida turns to his security chiefs for help

By Paul Adams in Lagos

PRESIDENT Ibrahim Babangida of Nigeria will consult the senior officers in the armed forces and police tomorrow before taking his next step over a proposed interim government for the country.

Civilians and junior ranks in the armed forces oppose the use of the interim government to extend military rule.

Mr Moshood Afolabi, the unofficial winner of a cancelled poll held in June, is in the US lobbying for sanctions to force the government to install him as head of state. There seems no prospect of a post for Mr Afolabi if the interim government takes effect.

Germany, which is the largest exporter to Nigeria, last week cancelled a visit by MPs and announced it would have to review bilateral relations with Nigeria until the democratic process was put back on track.

Discussion by the ruling military council of the interim government proposals ended inconclusively on Friday and will restart on Thursday after Mr Babangida has seen security force leaders, who hold the key to Nigeria's political future.

Pressure is coming from the lower ranks of the armed forces to withdraw from direct military involvement in government. Many officers believe their reputation has suffered since the government's refusal to install a democratically elected civilian president on August 27, leaving a six-year transition programme incomplete and the country divided by the suppression of Mr Afolabi's victory.

A meeting of middle and junior ranking officers in Lagos last week rejected a plan by the government which seemed to make the interim government an extension of military rule.

Even the proposal for a civilian-led interim government is being treated with hostility in Lagos and the south-west, where the Yoruba majority feels the north has dominated Nigeria, mostly through military regimes, for too long.

The Campaign for Democracy, a loose association of pressure groups, is organising a three-day stoppage aimed at the "passive dislocation of civil society".

Leaflets have been distributed telling people to stay away from work but to not resort to violent protest.

"We hope that this will build up momentum and force the government to back down over the annulment of the June elections," said Mr Olu Afolabi, one of the campaign's organisers, yesterday. Last month a week of civilian protest degenerated into looting and destruction, put down by the army with about 100 civilian deaths.

Status quo locks in effect of D-Mark instability

ONE WORD appeared repeatedly on the lips of both German and French politicians and central bankers last week: stability.

After last Tuesday's Franco-German summit meeting in Paris, French Economy Minister Edmond Alphandery reaffirmed his government's commitment "to a monetary policy that emphasises price stability and the stability of the external value of our currency".

Mr Alphandery's words will have been music to German ears. For stability has also been on the mind of German Finance Minister Theo Waigel. "I assume," he told a news conference the morning after the late-night decision of Europe's finance ministers to widen ERM bands, "that in a relatively short time exchange rates will stabilise not very far from where they were in the existing bands".

The reason for this German desire for currency stability was outlined over the weekend by Bundesbank President Helmut Schlesinger in an interview with the Frankfurter Allgemeine Zeitung. In comments directed at hard-pressed German

industry, he said he did not expect a clear revaluation of the D-Mark against other currencies in the ERM, adding that other ERM members were currently more interested in stabilising their currencies than in cutting their interest rates sharply and triggering devaluations.

For the French government, a period of calm, after weeks of foreign currency storms, also has its attractions. Keeping the French franc close to its old ERM bands against the D-Mark is the best way for Prime Minister Edouard Balladur to fight off the charge that he has sanctioned an implicit franc devaluation.

But for the French economy, preserving the current D-Mark-franc link no longer seems consistent with either domestic or external stability. The franc fort policy of fixing the franc to the D-Mark, far from preserving "the stability of the external value" of the franc, has bequeathed an effective 6 per cent appreciation against a trade-weighted basket of European currencies, as the left-hand chart shows. The reason is that the French franc has

been pegged to an appreciating currency. Until last September's crisis, the ERM successfully suppressed the D-Mark appreciation which German unification demanded. Instead, the real appreciation of the German currency, necessary to reorientate west German production from exports to east Germany and allow the government to finance its budget deficit, occurred through a rise in German inflation relative to its European partners.

The result was a steady decline in the European price competitiveness of German industry since 1981, as the right-hand chart shows. France, by contrast, continued to amass competitiveness gains because of its relatively low producer price inflation rate.

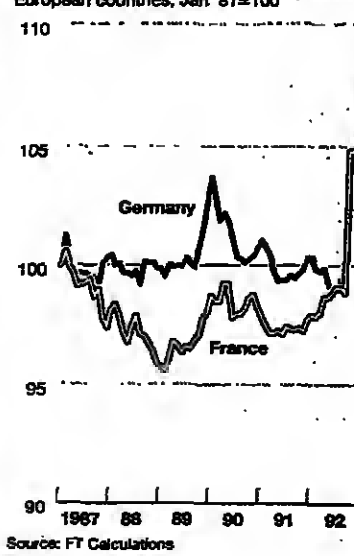
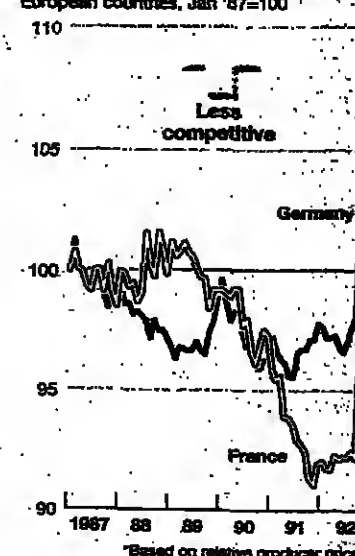
Since September the departure of sterling and the Italian lira from the system and the devaluations of the punt, peseta and escudo have further undermined German competitiveness. This time through a nominal D-Mark appreciation. But France, by sticking to its old ERM parity, has been forced to accept both this nominal

exchange rate appreciation and the Bundesbank's high interest rates.

The result is a deepening and unnecessary French recession. Maintaining the franc fort policy, far from preserving domestic stability, has thus progressively deepened France's domestic deflation. The longer the government refuses to cut its short-term interest rates in an attempt to preserve this franc appreciation, the deeper the damage to industry and the greater the risk of an unnecessarily large franc depreciation and inflationary backlash when the policy collapses.

For France, a sizeable cut in interest rates, accompanied by some form of franc depreciation, seems the only route back to stability. German industrialists have good reason to hope that such a franc depreciation does not occur over the coming months. But if the franc does fall, they should address their complaints to Bonn and Frankfurt, not Paris.

Tracking the Franco-German monetary relationship

Trade weighted exchange rates
Nominal exchange rate against 13 western European countries, Jan '87=100FT European competitiveness indicator
Real exchange rate against 13 western European countries, Jan '87=100

Edward Balls

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index; throughout, other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

UNITED STATES						JAPAN						GERMANY						FRANCE						ITALY						UNITED KINGDOM					
Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate		Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate		Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate		Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate		Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate							
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0						
1986	101.9	98.6	102.2	99.4	83.7	100.8	95.3	101.4	103.5	119.2	98.9	97.5	103.8	103.7	107.9	102.5	97.2	104.5	101.5	102.9	106.1	100.2	104.0	102.7	108.3	100.4	107.7	108.3	116.8						
1987	105.6	100.7	103.8	98.7	74.9	101.2	92.5	103.1	100.6	123.3	100.1	95.1	108.0	108.9	110.5	105.9	97.8	107.3	103.0	104.1	111.0	103.2	111.8	105.5	104.9	107.7	108.3	116.8	100.9						
1988	109.9	103.2	106.9	99.1	71.4	102.2	92.3	107.8	98.2	130.0	101.4	96.2	113.0	108.7	109.9	108.8	102.8	111.1	104.3	101.8	113.5	106.8	113.4	102.7	103.3	113.0	118.2	126.2	108.9						
1989	115.2	108.5	110.0	101.1	75.0	104.9	94.2	114.0	98.1	122.1	104.2	99.3	117.3	107.7	108.4	112.6	108.4	115.4	105.5	99.8	124.2	113.1	125.8	112.3	107.4	121.8	119.0	137.2	113.8						
1990	121.9	113.6	113.8	104.0	71.8	108.2	95.7	120.1	98.2	109.2	107.0	101.0	123.8	110.2	110.3	116.5	107.1	120.6	110.0	102.9	131.8	117.8	134.7	118.9	108.5	138.3	118.0	150.1	100.9						
1991	126.8	116.3	117.3	107.3	71.3	111.8	96.8	124.2	101.8	116.2	110.7	103.4	131.8	117.7	108.1	120.2	103.8	123.3	114.3	101.3	140.3	121.7	147.9	131.3	107.7	141.2	133.0	162.4	105.2						
1992	130.4	117.7	120.2	105.8	70.6	113.9	95.8	125.6	111.1	116.7	115.1	102.8	132.1	110.5	107.2	123.0	104.0	130.3	104.7	104.7	147.7	124.0	155.9	136.8	102.4	146.4	138.0	173.1	108.9						
3rd qtr.1992	3.1	1.8	2.3	-1.1	68.1	2.0	-0.9	0.7	8.9	117.1	3.5	1.0	n.a.	6.1	111.2	3.7	-0.9	n.a.	2.8	105.0	6.2	1.8	3.7	2.7	104.4	3.8	3.5	6.2	2.0	105.7					
4th qtr.1992	3.0	1.6	2.2	-1.0	72.2	0.9	-1.2	-0.1	7.0	122.1	3.7	0.5	n.a.	8.2	113.3	2.2	-1.5	n.a.	108.2	4.3	2.2	2.9	6.5	99.0	3.9	3.4	5.7	-0.5	92.9						
1st qtr.1993	3.2	2.0	2.8	-1.7	74.3	1.2	-1.1	-0.5	7.4	126.1	4.3	0.5	n.a.	9.7	113.3	2.1	-2.3	n.a.	109.1	4.8	3.1	2.8	6.7	98.8	1.8	3.7	4.8	-3.0	92.7						
2nd qtr.1993	3.2	1.9	2.5	-1.5	72.9	1.0	-	-	-	135.4	4.2	-0.2	n.a.	111.8	111.8	2.0	-	n.a.	109.3	4.1	-	-	-	98.9	1.8	3.9	-3.0	95.2	95.2						
August 1992	3.2	1.8	2.6	-1.4	67.7	1.8	-0.9	-1.8	11.4	115.1	3.5	1.1	n.a.	5.2	111.1	2.7	n.a.	-	n.a.	104.6	5.2	1.9	3.5	n.a.	108.5	3.8	3.4	6.5	1.8	107.2					
September	3.0	1.8	2.5	-0.5	68.1	2.2	-0.9	1.1	6.7	119.1	2.6	0.6	-	4.3	112.0	2.6	n.a.	3.5	n.a.	106.2	5.1	1.9	3.7	n.a.	100.4	3.8	3.4	6.5	1.1	102.3					
October	3.2	1.7	2.5	-1.4	70.3	1.2	-1.1	1.2	10.5	121.8	3.7	0.5	-	7.8	113.7	2.4	n.a.	-	n.a.	103.8	4.8	2.0	4.1	n.a.	92.6	3.8	3.3	6.3	0.1	93.8					
November	3.0	1.4	1.7	-2.4	73.1	0.6	-1.1	1.2	10.4	122.4	3.7	0.5	-	10.3	112.4	2.1	n.a.	-	n.a.	103.0	4.8	2.2	2.1	n.a.	94.7	3.0	3.8	5.6	-0.4	91.8					
December	2.9	1.6	2.5	-2.0	73.3	0.9	-1.2	-1.0	10.3	122.2	2.7	0.5	-	6.6	113.6	2.0	n.a.	3.5	n.a.	107.9	4.8	2.5	2.4	n.a.	91.4	2.6	3.5	5.4	1.4	94.4					
January 1993	3.3	2.0	3.4	-2.1	74.4	1.0	-1.1	-3.6	10.1	122.0	2.7	0.5	-	12.1	113.4	2.1	n.a.	-	n.a.	108.8	4.2	2.8	2.8	n.a.	91.0	1.7	3.8	5.0	-2.9	94.3					
February	3.2	2.0	2.5	-1.8	74.6	0.9	-1.0	1.3	7.8	125.5	4.2	0.5	-	11.6	113.4	2.1	n.a.	-	n.a.	108.6	4.2	2.5	2.7	n.a.	91.3	1.8	3.4	5.2	-2.7	94.3					
March	3.1	2.0	2.5	-1.3	74.0	1.2	-1.2	1.0	3.6	123.4	4.2	0.3	-	9.9	113.2	2.2	n.a.	3.4	n.a.	109.2	4.2	2.5	2.7	n.a.	93.0	1.8	3.7	5.1	-2.7	90.4					
April	3.2	2.4	2.6	-1.6	72.9	0.9	-1.3	2.0	5.4	123.6	4.3	0.1	-	7.5	113.1	2.1	n.a.	-	n.a.	110.0	4.2	3.7	2.6	n.a.	93.8	1.8	3.6	4.2	-3.1	92.4					
May	3.2	2.0	2.5	-1.4	72.6	1.1	-1.5	2.1	1.1	124.7	4.2	-0.3	-	11.7	111.7	2.0	n.a.	-	n.a.	109.3	4.0	2.0	2.3	n.a.	94.3	1.9	3.8	5.2	-2.6	95.1					
June	3.0	1.4	2.5	-1.8	73.4	1.0	-	-	-	135.2	4.1	-0.4	-	10.9	110.9	1.9	n.a.	2.6	n.a.	108.7	4.2	2.4	2.3	n.a.	93.3	1.9	4.0	4.8	-5.3	96.5					

EC maternity benefits may cost UK £60m

By David Owen

BRITISH employers could face extra costs of up to £60m a year following a government decision not to offer state aid to offset the costs of bringing UK maternity benefits into line with EC requirements.

Under proposals likely to be unveiled this week, domestic employers are to be asked to pay the difference between the cost of existing maternity benefit arrangements and that of the new system which must be in place by next October.

The decision reflects the government's determination to curb its £300m a year social security budget as part of the onslaught on public spending.

This was further underlined yesterday when prime minister John Major used a rare appearance as a guest newspaper columnist, in the *News of the World*, to emphasise that social security spending was rising too fast.

A consultation document to be published this week by the Department of Social Security is expected to set out two options for implementing the EC's maternity directive, which was agreed last year.

Both options are thought to incorporate a £4.55 a week increase to £52.50 in the level of maternity benefit and to raise the number of women eligible to receive an initial six weeks' maternity leave on 90 per cent of full pay.

At present in the UK, women are entitled to this six-week period on close to full pay only after two years' continuous employment. The new proposals are expected to cut this

qualification period to either six or nine months.

The decision to load the additional cost of the EC requirements on to employers may prove embarrassing to the government, which has argued that such costs should be kept to a minimum to protect competitiveness.

But some left-leaning ministers will be secretly delighted that higher payments for working mothers have been sanctioned. They see more generous maternity and childcare entitlements as a potential Conservative vote-winner capable of yielding substantial ballot-box dividends at a relatively low cost.

In his *News of the World* column, Mr Major said the government had to ensure both that the "really needy" got all the help they deserved and that taxpayers' money was not being given to "people who don't need it."

The government must "plan now for the social security system we can afford in the future," he said, warning this would involve "some tough decisions".

Downing Street interpreted the prime minister's words as simply endorsing a position staked out by Mr Peter Lilley, the social security secretary.

But Mr Donald Dewar, the opposition Labour party's social security spokesman, said Mr Major's talk of "cuts and means testing" would cause worry and distress. It would frighten people coping with disability, ill-health and unemployment and looked "unpleasantly like a further lurch to the right".

Nynex and BT sign cable deal

By Andrew Adams

NYNEX, the US-owned cable operator, has signed an interconnection deal with British Telecom, thought to be the first by one of the "big four" companies, which dominate the UK's cable TV and telephone industry.

The agreement will give Nynex, which has 20 franchises across the country, 50 per cent of the gross call revenues generated by its subscribers, against 25 per cent under its existing agreement with Mercury, according to a report in the FT's Telecom Markets newsletter.

Until now, the four main cable operators - Nynex, Southwestern Bell, Telewest and BCE of Canada - have relied exclusively on Mercury to carry long-distance and international calls originating from their local networks.

The deal follows a more competitive strategy by BT, whose prices were invariably higher than Mercury's in the past.

Cable operators, which have recently been reporting take-up rates of around 30 per cent for telephone lines in areas where networks are under construction, are increasingly switching their traffic on to the public network rather than handing it over directly to Mercury. Switching enables them to choose more freely between long-distance operators, and to keep a higher proportion of their subscriber income.

The advantages will be greater still when new operators enter the market - such as Energis, the telecoms arm of National Grid, which is currently building a long-distance network and expects to be offering a service from next Easter.

Nynex and other cable operators are likely to operate least-cost routing systems, which allows calls to be sent along the network of the lowest-cost operator, enabling them to take advantage of short-term movements in prices between rival operators.

Britain in brief



Rail sell-off could force 15% fare rise

Rail fares could rise by as much as 15 per cent next year if the government presses ahead with existing plans to privatise British Rail, said the Central Transport Consultative Committee, the passengers' watchdog.

British Rail has warned the Department of Transport that splitting the rail network into 25 regional operations in preparation for their eventual sell-off would create extra costs, prompting fare increases of up to 10 per cent.

But Mr Michael Patterson, secretary of the CTCOC, said that these extra costs were likely to be "on top of any fare increase that BR might propose for its own purposes".

Retailers go international

UK retailers are becoming increasingly international, and dominated first-time expansion in north-western Europe in 1992, according to research by Management Horizons, the retail research group.

UK retailers, including Tesco, which acquired the French supermarket chain Cat-

teau; Marks and Spencer, which opened franchises in Budapest; Iceland, which formed a joint venture with French group Au Gel; and Sainsbury, which bought the Dutch mail order operator Ter Mann Post, accounted for 25 per cent of deals where retailers were expanding into a north-western European market for the first time. France, the Netherlands and Switzerland each accounted for less than 15 per cent.

Although 56 per cent of UK investment went into north-western Europe, UK retailers also expanded into southern and eastern Europe.

Coal licence deadline ends

A British Coal deadline for private sector companies to apply for mining licences at five redundant pits ends today with hopes high that bids will be made for all of them.

The mines are among 19 pits no longer wanted by British Coal as a result of the decline in demand for coal. They form the second tranche to be offered for licence. Among the first tranche, comprising four pits, there was only one bid to continue mining.

Bus shake-up criticised

London First has added its voice to criticism of the government's proposals to deregulate London's buses to permit competent operators to run any service they like.

In a policy paper being circulated to relevant groups, the



SOLDIERS of the British Army's 5 Airborne Brigade check equipment at the weekend ahead of a four-day parachute exercise in western England

involving 4,000 troops. UK servicemen were joined by 600 members of the US Army's 25th Regiment Airborne Infantry who flew to the "battle zone"

on Salisbury Plain in Wiltshire from Aviano in Italy. The initial stages of the exercise, nicknamed Roaring Lion, were designed to simulate the evacua-

tion of British nationals from an overseas country which was on the verge of war.

Picture by Ashley Ashwood

Hardier companies detected by Bank

By James Birt, Economics Staff

BRITAIN'S industrial and commercial companies performed more robustly in the recent recession than they did in the economic downturn of the early 1980s, with company profitability and investment remaining at comparatively high levels, the Bank of England says.

A Bank report, which will be published tomorrow in the Bank's Quarterly Bulletin, says that UK firms took earlier and more active steps to adjust to the recent recession than they did a decade ago, and therefore retained a large proportion of the gains in profitability made in the 1980s.

The return on capital in the non-North Sea sector was some 3 percentage points higher in the recent recession than it was in the previous one, according to the Bank of England.

Business investment as a share of Gross Domestic Product was also nearly 3 percentage points higher in the early 1980s than it was in the early 1990s.

The report says, however, that British companies entered the recent recession with a much higher level of indebtedness than they had in the previous downturn.

Their borrowing requirement averaged 7.4 per cent of GDP in the 5 years to 1992, compared to 2.2 per cent in the 5 years to 1982 - and the effects of large financial deficits and borrowing requirements may continue to affect company behaviour for some time.

business-led initiative warns that deregulation could "undermine the effectiveness of London's transport system" if current plans are not modified. The body - set up last year to promote strategic thinking about London - says it is "critical" for the government to avoid a "rapid and wholesale" move to deregulation.

Private groups win contracts

Private contractors have won more than a third of council contracts for building cleaning, the Institute of Public Finance says today in a survey on compulsory competitive tendering.

The Institute, the research arm of the Chartered Institute of Public Finance and Accountancy, found that 119 private companies had won contracts for building cleaning - more than for any other council service. They account for 35.3 per cent of all contracts awarded. However, the private sector has been most successful in winning small contracts, and its share of the total council market by value is lower, at 15 per cent.

Test of strength

Australia tightened its grip on the fifth test match by bowling England out for 351 in their second innings. England, who have already lost the series following three Australian victories and one match drawn, scored 276 in their first innings. Australia replied with 408. The tourists need just 120 runs to take the match.

Lloyd's faces threat from rebel Names

By Richard Lapper

LLOYD'S of London faces further possible controversy as it prepares to unveil the results of a ballot of its more than 20,000 underwriting members or Names tomorrow.

Victory in the vote for rebel loss-making Names could shatter confidence at the insurance market and derail plans to introduce new incorporated investors.

Mr David Rowland, chairman of Lloyd's, conceded last month that if a motion supportive of both him and Mr Peter Middleton, chief executive, were defeated he would seek a formal vote of confidence from members, triggering a new battle between Lloyd's and disgruntled Names, whose losses over the last five years amount to more than £5.5bn.

The rebels are demanding that existing members be given the right to veto new capital raising plans.

They also insist that new investors help pay the losses of those most badly hit by losses by contributing a portion of future profits.

usive
the
aetic
ling,
aver-
it to
per
per

sera-
n it
e no
the
pro-
gry,
man
t to
or a
i on
d.
rest-
light
mor-
mic
ina,
long

in
ono-
Mr
van-
ain-
doted
itled
a of
nan-

ical
ants
the
rate
wall
bur-
ship
up-
ain-
r a
mo-

arly
rese
are
ital
as it

used
ted
fits
rm-
ng
ble

ted
pa-
ce,
19
dit
per
992
om
und

as,
ate
ec-
per
set
to
lca

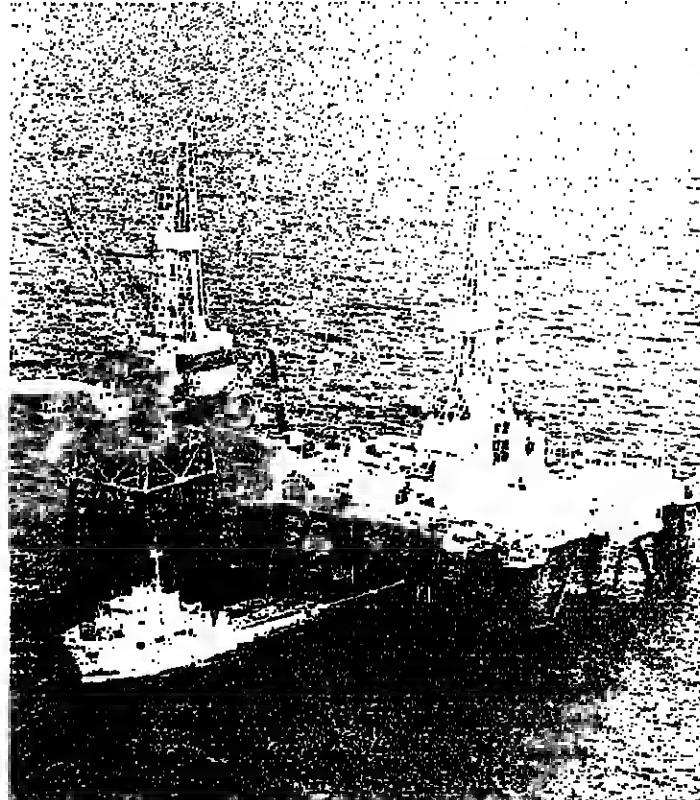
As part of the continuous round-the-year bidding scheme for exploration acreages, the Government of India announces the Sixth Round of Bidding for exploration in India. Companies are invited to bid for the exploration blocks on offer. 23 blocks from those offered in the Fifth Round of Bidding are being offered again in the Sixth Round. In addition, 23 other blocks are on offer, making a total of 46 blocks on offer, with 17 of them being offshore and 29 onshore. Companies may bid for one or more blocks, singly or in association with other companies.

GOVERNMENT OF INDIA
NOTICE INVITING OFFERS
FOR
EXPLORATION
FOR
OIL & NATURAL GAS
SIXTH ROUND
OF
BIDDING
(1993)

CONTRACT FEATURES

Production-sharing contracts would be entered into by the Government of India and Oil and Natural Gas Commission or Oil India Limited with successful companies, with a number of attractive features, the more prominent of which are as follows:-

- ★ The possibility of a seismic option in the first phase of the exploration period
- ★ No minimum expenditure commitment during the exploration period
- ★ No signature or production bonus
- ★ No royalty payment
- ★ Progressive fiscal regime with sharing of profit oil/profit gas being tied to the post-tax profitability of the venture for the companies
- ★ No ring fencing of blocks for corporate tax purposes
- ★ Provisions for encouraging the production and marketing of gas
- ★ Purchase of company's share of oil at international market price.
- ★ Provision for assignment.
- ★ Provision for international arbitration



BID ITEMS

Companies would be required to bid for:-

- ★ Profit oil and profit gas shares expected by the contractor at various levels of rate of return or multiples of investment recovered.
- ★ Percentage of annual production expected to be allocated towards cost recovery.
- ★ Total length of exploration period, number of phases in exploration period and minimum work commitment in each of the phases.

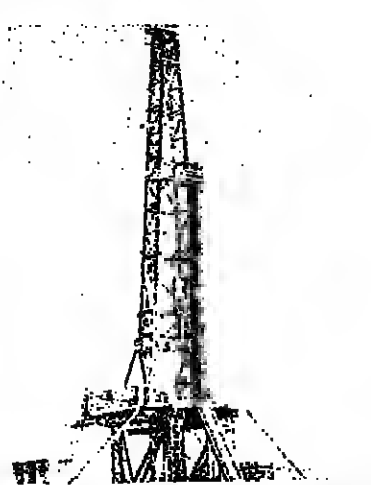
INFORMATION AVAILABILITY

A brochure giving details of the blocks offered, their geographical location on a map of India and the contract terms will be made available free of cost to companies.

To enable companies to assess the geological prospects of the blocks on offer, information dockets and data packages are available on sale. Separate information dockets on each basin are available, containing information on regional and local geology and the current status of exploratory activities in the blocks in each basin. The data packages contain seismic sections, gravity and magnetic anomaly maps, wireline logs and structure contour maps etc. and have been prepared for most of the blocks.

Companies interested in inspection and purchase of information dockets and data packages and in obtaining further details regarding the offer may contact:

Mr. R.N. Desai
Head, EXCOM Group
Oil and Natural Gas Commission
7th Floor, Bank of Baroda Building
Parliament Street
New Delhi-110 001, INDIA
Telephone: 3317205, 3715291
Telex: 031-65184, 031-66262
Facsimile: 3316413
Bids should be submitted in sealed envelopes superscribed "Confidential" "Sixth Round of Bids (1993)" not later than 3.00 PM on 31st December, 1993, to:
Director General of Hydrocarbons
Ministry of Petroleum & Natural Gas
2nd Floor, Shastri Bhavan
Dr. Rajendra Prasad Marg
New Delhi 110 001, INDIA



THE WEEK AHEAD

ECONOMICS

Focus turns to UK recovery prospects

ATTENTION shifts to the UK this week where a rush of figures for June and July may confirm fears that the recovery is slowing.

The data includes a regional breakdown of the Confederation of British Industry's industrial trends inquiry, which sparked concerns that the pace of recovery was slackening when it was published at the end of last month.

None the less, on balance economists expect unemployment to have fallen again in July by a modest 5,000 and foresee growth in consumer spending.

Doubts about the strength of the recovery are reflected more in forecasts for manufacturing output. The median prediction is for a month-on-month fall of 0.6 per cent in June, although this would partly be a bounce back from the strong May figure, when output rose 1.8 per cent on the previous month.

This is also a busy week for US statistics. The first indication of third quarter consumer spending comes on Thursday with July retail sales figures. These are expected to show fairly soft activity with fairly buoyant general sales offset by lower car sales.

In France an increase in indirect taxes is expected to have raised the annual rate of inflation to about 2.2 per cent last month compared with 1.9 per cent in June. Although inflation

UK manufacturing output



pressures in France are virtually dormant, some economists expect the markets to react badly to the higher figure since the comparison with German inflation will look less favourable to France.

The rest of the week's economic releases and events follow. The figures in brackets are the median of economists' forecasts and come from MMS International, a financial information company.

Today: UK June consumer credit (up £170m); July producer prices index - input (up 0.2 per cent on month, up 7.9 per cent on year), output (up 0.2 per cent on month, up 4 per cent on year), output excluding food, drink and tobacco (up 2.6 per cent on year). US, Congress scheduled to begin August recess. Canada, May labour income (up 3 per cent on year);

June new motor vehicle sales (down 2.9 per cent on month). Australia, June base money. Singapore, markets closed for holiday.

Tomorrow: UK, Bank of England releases quarterly bulletin. Sweden, May industrial production. US, Q2 productivity. Johnson Redbook. Canada, July housing starts (up 153,000). June department store sales. Japan, June machine orders excluding electricity and ships (up 0.5 per cent on month, down 13.4 per cent on year). Bank of Japan data.

Wednesday: UK, regional breakdown of Confederation of British Industry quarterly industrial trends survey. John Major, prime minister, visits Sweden for two days. Germany, cabinet to approve detailed draft legislation for 1994. Canada, July leading indicator (up 0.4 per cent on month). Japan, July trade balance (\$11bn surplus).

Thursday: UK, July unemployment (down 5,000); June average earnings (up 3.75 per cent), unit wages (down 4 per cent in three months to end of June), manufacturing output (down 0.6 per cent on month, up 3.6 per cent on year), industrial production (down 0.6 per cent on month, up 3.6 per cent on year), GDP, Q2 net manufacturing inventories, Q2 unit labour costs, Q2 business expectations, Q2 industrial production index.

prices index (up 0.1 per cent), excluding food and energy (up 0.2 per cent); initial claims week ended August 7 (\$41,000), state benefits week ended July 31; July Atlanta Fed index; money supply data for week ended August 2; July M1 (up \$10.5bn), M2 (up \$3.1bn), M3 (down \$8.7bn). Australia, July employment (down 10,000), unemployment (10.8 per cent), June housing finance.

Friday: Spain, July CPI (up 0.5 per cent on month, up 10.7 per cent on year). Norway, July trade balance excluding ships (Nkr5.3bn). US, July CPI (up 0.2 per cent), excluding food and energy (up 0.2 per cent); August Michigan sentiment; June business inventories (unchanged); July real earnings; car sales August 1-10 (6.6m), truck sales same period. Japan, July wholesale prices index (down 3.2 per cent on year, up 0.1 per cent on month).

During the week: Germany, June retail sales (down 2.4 per cent on year). July wholesale prices index (up 0.1 per cent on month). Spain, producer prices index (up 1.8 per cent on year). Australia, June M3, private sector credit, broad money. Singapore, June retail sales, Q2 GDP, Q2 net manufacturing inventories, Q2 unit labour costs, Q2 business expectations, Q2 industrial production index.

Emma Tucker

UK COMPANIES

TODAY
COMPANY MEETINGS:
Enso Hedges, Post House Hotel, Manchester, 10.30
BOARD MEETINGS:
Finals:
Mid Wynd Int'l. Inv. Tst.
Westminster Health Care
Interims:
Allied Irish
CCS Grp.
French Property Tst.
Thailand Int'l. Fund
Vaktra

TOMORROW
COMPANY MEETINGS:
Brown & Tawse, Imperial Street, Bromley-by-Bow, E, 12.00
Castings, Forte Posthouse Hotel, Chapel Lane, Great Barr, Birmingham, West Midlands, 3.30
Equity Consort Int'l. Tst., Five Arrows House, St. Swithins Lane, E.C., 10.00
Evans of Leeds, Millshaw, Ring Road, Beeston, Leeds, 12.00
Mansfield Brewery, Civic Centre, Chesterfield Road South, Mansfield, 12.00
BOARD MEETINGS:

Finals:
Howard Higgs, Pitco Higgs, Reamore Interims:
BPP Higgs.
Borestone Crisps
Edinburgh Oil & Gas
General Accident
Manchester Ship Canal
New Ireland Higgs.
Satchell & Satchell

WEDNESDAY
AUGUST 11
COMPANY MEETINGS:
Compo Higgs, 33 Cork Street, W., 12.00
Europe Energy Grp., 5th Floor, 3 Gracechurch Street, E.C., 11.00
Martin Currie European Inv. Tst., Salfire Court, 20 Castle Terrace, Edinburgh, 12.00
Midlands Electricity, ICC, Broad Street, Birmingham, West Midlands, 11.00
Mountainview Estates, Hotel Russell, Russell Square, W.C., 11.00
NORWEB, G-Max Centre, South, Mansfield, 10.30
BOARD MEETINGS:

Finals:
Amridge Brothers
English & Caledonian Inv.
Hambros Eurobond & Money
Weddington (J.)
Interims:
Commercial Union
Foreign & Colonial Inv.
Hambros Currency Fund
Holiday Chemical
Kleinwort Overseas Inv.
Metal Bulletin
Novo Nordisk
SKF Grp.
Thomson Pan Euro. Inv. Tst.
Ward Higgs.

THURSDAY
AUGUST 12
COMPANY MEETINGS:
Investment Co., Fairfax House, Fulwood Place, Gray's Inn, W.C., 12.00
Sonic, The Clifton Arms Hotel, West Beach, Lytham, 12.00
Upton & Southern Higgs, 20 Old Bailey, E.C., 11.00
Walsley, 20 Farringdon Street, E.C., 10.00
BOARD MEETINGS:
Finals:
Mosaic Invts.
Interims:

Ayrshire Metal
Bleddin Inds.
C.S.C. Inv. Tst.
City Merchant High Yield
Foreign & Colonial Int'l. Tst.
Johnson Grp. Cleaners
Micro Focus
Relyon
Royal Insurance
Sleepy Kids
Smith & Nephew
Standard Chartered
Takara
Thomson Corp.
Transatlantic Higgs.

FRIDAY
AUGUST 13
BOARD MEETINGS:
Interims:
Argos
Haden Macdonald Higgs
Malaya Grp.

Company meetings are across general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

TODAY
ACT 3.25p
Amber Industrial 13p
Dobson Park Industries
GEI International 2.47p
Grindlays Euro. Gtd. Fltg. Rate '94 \$245.42
Haplofilm Int'l. Gtd. Fltg. Rate 2000 \$214.86
Hardys & Hansons 3p
I & S Optimum Income Tst. 1.85p
Mazda Motor Fltg. Rate '96 ¥22.041
Do. Fltg. Rate Nts. 1996 ¥22.041
Mezzanine Cap. Income '01 4p
Norros 3.5p
Norsk Hydro 8 1/4% Nts. 1994 DK348
Salvesen (Christian) 4.6p
VSEL Consortium 20p

TOMORROW
American Express \$0.25
Anchor Int'l. Fd. \$0.39
Bass ADR \$0.208
Bristol & West Fltg. Rate '94 £152.81
Henderson Highland Tst. 1.4p
Staveley Industries 6.2p
United Kingdom 9 3/4% Cv. '01 £4.875

WEDNESDAY
AUGUST 11
Baggeridge Brick 0.75p
Caledonian Investments 10p
Castings 3.05p
Cohen (A. & Co.) 3.4p
Do. A Non-Vtg. 3.4p
Electra Inv. Tst. 3.45p
Mansfield Brewery 11p
Waddington (John) 4.3p

THURSDAY
AUGUST 12
Bridgend 0.2p
Britannia Bldg. Soc. Fltg. Rate '96 £155.01
Denmans Electrical 1.9p
Martin Currie European Inv. 0.29p
National Power 1.2p
National Westminster Var. Rate '08 \$99.35
Ranco Oil Services 1p
Renold 1p
Southern Business 1.27p
Storehouse 2.5p
Sumitomo Bank Fltg. Gtd. Fltg. Rate 2000 \$87.85
Tanjong M50.04
Tesco 4% Cv. Cap. Bds. '05 4.5p
Willoughby's Consolidated Pl. 0.5p
Do. Stk. 0.5p

FRIDAY
AUGUST 13
Barr (A.G.) 1.75p
De La Rue 13.15p
E.Worcester Water 7.3% Rd. Pl. 92/94 0.88p
EMAP 5.825p
Hogg Robinson 4p
Polar 2p
Sonic 1.5p
Sterling Industries 4.1p
Trinity Intl. 5% Cm. Pl. 1.75p

SATURDAY
AUGUST 14
Carlton Comms. 7 1/2% Cv. Sub. '07 £187.50
Readicut 2.81p
UMECO 1p

SUNDAY
AUGUST 15
Abbott Laboratories \$0.17
Fishguard & Rosslare Rail. 3 1/2% Gtd. Pl. 1.225p
NOVA Corp. of Alberta C\$0.06
Scottish Met. Prop. 10 1/4% 1st Mtg. Db. '16 £5.125
Sears 7 1/4% Un. Ln. 1992/97 £3.625
TSB Gilt Fund Plg. Rd. Pl. 2.1p

YOU CAN ADVERTISE YOUR SKILLS IN THE FINANCIAL TIMES RECRUITMENT PAGE FROM AS LITTLE AS \$84 + V.A.T.

Looking for a Career Change?

FOR FURTHER INFORMATION CONTACT:
Philip Wainwright
Tel: 071-673-3351 Fax: 071-673-3352
or by e-mail: phil@wainwright.co.uk
or by post: Philip Wainwright, Recruitment Consultants, 100, The Quadrant, London EC1A 3DF

RESULTS DUE

THREE OF the largest composite insurers are set to be back in the black by an impressive margin when they report their results for the first half of 1993 this week, underlining the recovery in the sector after recent losses.

General Accident, which reports tomorrow, is expected to register pre-tax profits of between \$90m to \$120m (compared to a \$21.2m loss at the half-way stage last year).

The advance at Commercial Union, which reports on Wednesday, is expected to be only slightly less strong with a rise to between \$45m and \$75m, compared to a loss of \$13.1m the last time around.

Royal Insurance on Thursday is also expected to record profits of between \$40m and \$66m compared with a \$79m loss last time. Falling losses from mortgage indemnity insurance and improving claims trends are the main reasons for the improvement, while companies are also benefiting from currency factors.

Meanwhile BOC's healthcare division is likely to come under the microscope when the company announces its nine-month figures tomorrow. Observers will want to know how much market share BOC has lost to generic competitors since its patent for the anae-

sthetic, Forane, expired in the US earlier this year. Pre-tax profits are expected to be between \$252m and \$275m, against \$250.5m last time, largely helped by a \$23m gain on currency movements.

Slow-growing Smith & Nephew, the bandages-to-Nivea healthcare company, has long been eclipsed by spectacular profits from drug companies. But Thursday's interim should show investors the benefits of a low profile in cost cutting times as the company reveals profits growth of as much as 20 per cent to \$77m, helped by the fall in sterling.

Standard Chartered, which also reports on Thursday, is

expected to post pre-tax profits of between \$160m and \$180m, against \$54m in the first half of last year. Earnings per share are expected to rise to between 40p and 50p, against 42p, because of an expected fall in the tax charge.

When Unilever reports on its second quarter on Friday, the market will focus on what the consumer giant says about competitive pressure. The shares have been hit hard in recent months by worries over price wars in the US. However, the figures themselves are likely to be reassuring, with pre-tax profit of \$545m expected for the quarter versus \$511m last time.

CONFERENCES & EXHIBITIONS

SEPTEMBER 23
CREST: The proposed new settlement system for securities dealing in London. Speakers include Ian Saville, Head of CREST Unit, Bank of England, Brian Fingleton, Head of Settlement Operations, London Stock Exchange and speakers from the legal and IT firms most closely involved in CREST.
Enquiries: Financial Times Tel: 071-814 9770 Fax: 071-873 3975/3969
LONDON

SEPTEMBER 27
Financial Reporting in the UK. The third FT meeting on the ASA's proposals for changing accounting standards in the UK. The conference will review the changes and their impact on reported company profits and balance sheets.
Enquiries: Financial Times Tel: 071-814 9770 Fax: 071-873 3975/3969
LONDON

SEPTEMBER 28
How Much is Your Business Really Worth? An invaluable one-day seminar covering all aspects of valuing your company and its assets. Barry Pearson, executive chairman of Livingstone Fisher plc is the speaker.
Enquiries: Director Conferences Tel: 071 730 0022
LONDON

SEPTEMBER 29 & 30
Managing Business Regulation Effectively. A two-day conference for directors and senior managers, focusing on risks associated with various company compliance issues and how to manage them successfully. Chairman: The Rt. Hon. Lord Donaldson of Lynton, Chairman of the Financial Law Panel.
Contact: Patricia Sheldon, Gee Conferences Tel: 071 538 5386 Fax: 071 538 8623
LONDON

SEPTEMBER 29 & 30
World Mobile Communications. The conference will look at mobile communications growth and technologies together with the challenge of developing a mass market personal communications system.
Enquiries: Financial Times Tel: 071-814 9770 Fax: 071-873 3975/3969
LONDON

SEPT 29/30 & OCT 1
The Health of Nations 1993. Health of Nations: Economic, Cost & Efficiency on policy issues and impact on providers, suppliers and investors. James Watson, Rolf Krebs and Lady Chamberlain address this international conference sponsored by The Wall Street Journal Europe, medical, pharmaceutical, health care bodies, consultancies and banks.
Information: Cytosium Ltd Tel: 0225-466744 Fax: 0225-442903
EDINBURGH

OCTOBER 4 - NOVEMBER 22
FT - City Course. The objective of the course is to provide an understanding of all aspects of the operations of the City and the factors that make it a pre-eminent financial and trading centre.
Enquiries: Financial Times Tel: 071-814 9770 Fax: 071-873 3975/3969
LONDON

OCTOBER 5
"INTO CHINA". A one-day conference on the practical approach to consumer marketing in China. Organized by Inhouse Marketing in association with the China-Britain Trade Group and the Department of Transport and the Department of Trade.
For all enquiries contact Lisa Bateman at World Conference Travel on Tel: 071 799 1565
The May Fair Lane, Continental Stratum Street, London W1
LONDON

OCTOBER 5-6
The Freightconnection Conference & Exhibition '93. A conference examining transport reforms and opportunities affecting road & rail freight movements in Europe. Covering combined transport, road charging, rail freight provision, channel tunnel developments. Speakers include Roger Freeman MIP, Sir Alastair Morton, Graeme Dunlop, Contact: Iain Dale, The Waterfront Partnership.
Tel: 071 730 0430 Fax: 071 730 0460
MANCHESTER

OCTOBER 12 & 13
Retailing in the 90s. The aim of the meeting is to provide a high-level forum to review the opportunities and challenges facing the industry, consider partnerships and customer needs as well as performance and profitability.
Enquiries: Financial Times Tel: 071-814 9770 Fax: 071-873 3975/3969
LONDON

OCTOBER 14
City of London Derivatives Conference. To be opened by Dr Henry Krammer this Cityforum conference covers the markets, their regulation, maximizing their benefits and controlling the risks. Central Banking and The Centre for the Study of Financial Innovation, Swiss Bank Corp. Arthur Andersen and PricewaterhouseCoopers.
Information: Marc Lee, Cityforum Ltd Tel: 0225-166744 Fax: 0225-442903
LONDON

OCTOBER 18 & 19
International Packaging and the Environment. This conference will look at legislation and the opportunities and problems facing the packaging industry and its customers. Co-operation in the packaging chain, recycling or incineration, and opportunities for new uses of resources will be examined.
Enquiries: Financial Times Tel: 071-814 9770 Fax: 071-873 3975/3969
LONDON

INTERNATIONAL

SEPTEMBER 6-8
Textile Opportunities: Making it happen in the new Europe. Examines the extensive opportunities in Eastern Europe, giving you the opportunity to network, secure, invest and identify new customers. Provides you with the latest information on recent developments and future prospects.
Contact: Sally Pearson, The Textile Inst. Tel: +44 (0)61 834 8457 Fax: +44 (0)61 835 3087
FARNHAM

SEPTEMBER 8 & 9
World Motor. Timed to coincide with the Frankfurt Motor Show, this biennial meeting will focus on challenges and opportunities facing European, US and Japanese motor manufacturers and examine how the industry is responding to the current economic climate.
Enquiries: Financial Times Tel: 071-814 9770 Fax: 071-873 3975/3969
FRANKFURT

SEPTEMBER 15-18
VITRUM '93. South Pavilion, Milan, Italy. Machinery, glass and installations for the manufacture of flat and beaded glass, and glass products for industry. Reserved for trade only.
For further information contact: Fiera Milano, Largo Donatodossola 1, 20145 Milan, tel (39 2) 49971, fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951
MILAN

SEPTEMBER 15-19
EMU '93. International exhibition of office furniture. Reserved for trade only.
For further information contact: Fiera Milano, Largo Donatodossola 1, 20145 Milan, tel (39 2) 49971, fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951
MILAN

SEPTEMBER 16
New Global Free Markets: Strategies & Policies. Keynote Speaker: Michael Kantor, US Trade Representative. Meet Trade Representatives and business leaders from over 100 countries. Learn about investment, joint venture, import-export opportunities in newly opened markets.
Tel: 202-797-0631 33,34,78 or Fax: 202-797-0635
Contact: Mike Troe
WASHINGTON, D.C.

SEPTEMBER 16-19
MITECH '93. South Pavilion, Milan, Italy. International exhibition of hardware, tools and do-it-yourself. Reserved for trade only.
For further information contact: Fiera Milano, Largo Donatodossola 1, 20145 Milan, tel (39 2) 49971, fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951
MILAN

SEPTEMBER 22-24
Intermedia Europe 1993. The third European Conference and Exhibition on Multimedia and CD-ROM, takes place in Wiesbaden, Germany. For more information, please contact Reed Exhibitions Company, Düsseldorf. Tel: +49-211-556281 Fax: +49-211-556231
WIESBADEN

SEPTEMBER 27-29
MODA IN 93. South Pavilion, Milan, Italy. International exhibition of textiles and accessories. Autumn/Winter '94/95 collections. Reserved for trade only.
For further information contact: Fiera Milano, Largo Donatodossola 1, 20145 Milan, tel (39 2) 49971, fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951
MILAN

SEPT 30 - OCT 4
SMAU '93. Milan, Italy. International exhibition of information systems, telecommunications and office machinery and equipment. Reserved for trade only.
For further information contact: Fiera Milano, Largo Donatodossola 1, 20145 Milan, tel (39 2) 49971, fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951
MILAN

OCTOBER 14-15
EUROAID '93 Conference. European Community Aid for Development. Aid Programme opportunities for EC companies (40 billion ECUs by 1999) in Africa, Caribbean, Pacific, Asia, Latin America, Mediterranean, Central & Eastern Europe and CIS.
Contact: Societ  G n rale de D veloppement S.A. Tel: +32 2 512 4636 Fax: +32 2 512 4653
BRUSSELS

OCTOBER 14-18
IBTS '93. International exhibition of broadcasting and telecommunications equipment. Reserved for trade only.
For further information contact: Fiera Milano, Largo Donatodossola 1, 20145 Milan, tel (39 2) 49971, fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951
MILAN

OCTOBER 15-18
64th MIPEL. International exhibition of leather goods, Spring/Summer '94 collections. Reserved for trade only.
For further information contact: Fiera Milano, Largo Donatodossola 1, 20145 Milan, tel (39 2) 49971, fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951
MILAN

OCTOBER 16-18
22nd INTERSAN. Technical and sanitary orthopaedics, sanitary articles, surgical implements, hospital equipment, physioelectro-medical apparatus, cosmetics, sanitary articles for infants and aids for the disabled. For further information contact: Fiera Milano, Largo Donatodossola 1, 20145 Milan, tel (39 2) 49971, fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951
MILAN

OCTOBER 18-24
S rd C LO & MOTOC LO. International exhibition of bicycles and motorcycles. Open to trade and the general public.
For further information contact: Fiera Milano, Largo Donatodossola 1, 20145 Milan, tel (39 2) 49971, fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951
MILAN

OCTOBER 21-25
EXPO DETERGO '93. International exhibition of equipment, services, products and accessories for laundry, ironing and cleaning of textiles. Reserved for trade only. For further information contact: Fiera Milano, Largo Donatodossola 1, 20145 Milan, tel (39 2) 49971, fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951
MILAN

OCTOBER 24-29
60th MIFED. International Multimedia Market for cinema and television. Reserved for trade only. For further information contact: Fiera Milano, Largo Donatodossola 1, 20145 Milan, tel (39 2) 49971, fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951
MILAN

NOVEMBER 29-30
"Sub-Saharan Oil & Minerals". Ministerial level speeches from most Sub-Saharan countries. A major investment conference co-hosted by Europe Energy Environment, Ogeboese Ministry of Mines & Energy, Sonangol & S.A. Chamber of Mines. For details contact: Elton Pugh, EEE Ltd. Tel 44-71-493 4918 Fax 44-71-355 1415
CAPE TOWN

DECEMBER 8-10
The Emerging Latin American Market. FORBES Magazine and Council of the Americas present The Emerging Latin American Market. Explore opportunities in private sector business, investment and trade and meet with key government and business leaders. The conference is developed in participation with the U.S. Department of Commerce, The International Finance Corporation and The Beasda Council.
Contact: Jean Hall, CMC Tel: 1-203-532-0500 Fax: 1-203-338-3710
USA

CONTRACTS & TENDERS

TERMS OF REFERENCE

The State Property Agency offers the state owned shares of DUNANTULI KOOLAJIPARI G PGYAR R SZV NYTARSASAG which was founded on July 1st 1992 as a result of the transformation of Dunant li Koolajipari G pgy r.

We inform you that the nominal capital of the company is 1,500,000,000 HUF of which 51% state owned shares/ are offered for sale.

We expect the proposals of Hungarian and foreign investors who:

1. Make an offer for purchasing at least 10% of the nominal capital
2. Submit their offer in writing
3. Deposit 1% of the nominal value of the requested share package in order to demonstrate their serious intentions
4. Oblige themselves to secrecy regarding the obtained information
5. Hand in their offer to the State Property Agency /1133 Budapest, Pozsonyi  t 56/ before the below indicated deadline.

The applicant's firm offer has to be open for at least 90 days.

Formal requirements:

The proposals have to be sent to the below given address in 5 copies in Hungarian and in English or Russian without the name of the company in closed envelope indicating the original copy.

The deadline for handing in the proposal is:

15th October 1993

The condition of handing in the proposal is the purchase of the detailed tender which includes the terms of reference and the information package 10,000 HUF+VAT/ at the Information Office of the State Property Agency Budapest, Pozsonyi  t 56/.

The State property Agency reserves the right to declare a proposal unsuccessful.

For further information please contact:

Mr. Istv n Rozsnyai
State Property Agency
Address: H-1133, Budapest, Pozsonyi  t 56.
Phone: (36-1)-269-8600 1074

THE CONFERENCES & EXHIBITIONS SECTION

appears in the Financial Times every Monday.

To advertise in this section please call

Allison Prin on 071-407 5752

LEGAL NOTICES

In the High Court of Justice
Chancery Division
IN THE MATTER OF
THE ALBERT FRISER GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that the Court of the High Court of Justice (Chancery Division) dated 28th July 1993 confirming the resolution of the shareholders of the Albert Friser Group PLC (the Company) by extraordinary resolution passed at the Extraordinary General Meeting of the Company held on 22nd August 1993, and the resolution of the Company to be dissolved, and the appointment of a Liquidator to wind up the Company, is hereby published.

The Financial Times
in
This
number
So
For

FT First

The Financial Times outperformed every other publication in the 1993 European Business Readership Survey.

This latest independent survey now in its tenth edition confirms the FT's pre-eminent position as Europe's number one business newspaper. It reaches more business people in Europe than any other publication.

So if you want to reach more of the right people, you know who to call first.

For further information, please call Ben Hughes on (44) 71 873 4797 or contact your local FT representative.

FT. Because business is never black and white.

MANAGEMENT

"WHAT WILL we be doing five years from now? I can't imagine myself sitting in this production job indefinitely and there are only so many places on the board."

Jerry Kroon, the 46-year-old executive vice-president of manufacturing at Fokker Aircraft, was having a mid-life crisis. His confidante, Fokker's 42-year-old marketing manager, nodded gravely.

Suddenly Kroon had an idea: "Let's start a company called Fokker Driftwood, for all the people the company can't use in proper situations anymore. We will hire out our services for some of the time and we'll have a ball."

The conversation proceeded in jocular vein, yet it presented the perfect solution to a serious problem. There are large numbers of unemployed or dissatisfied executives with plenty of experience looking for new challenges. Equally, there are many companies that need extra help from time to time. Companies have slimmed down to such an extent that they increasingly find they have no management resources to deal with anything out of the ordinary.

The answer, as Kroon suggested, is to create a new market for "interim managers", employed for finite periods by companies when they are stretched or facing particular problems.

Some big companies are setting up such markets in house. At IBM some middle managers have been saved from early retirement and put into a special unit of troubleshooters that are sent out on short-term assignments. Smaller companies which cannot afford this luxury are increasingly looking to outsiders specialising in interim management.

"Interim management? Never heard of it," said Sir John Harvey-Jones, speaking at a recent conference on the subject organised by Learning Curve, the specialist training company. The remark caused much consternation among the established interim managers and their agents attending the session.

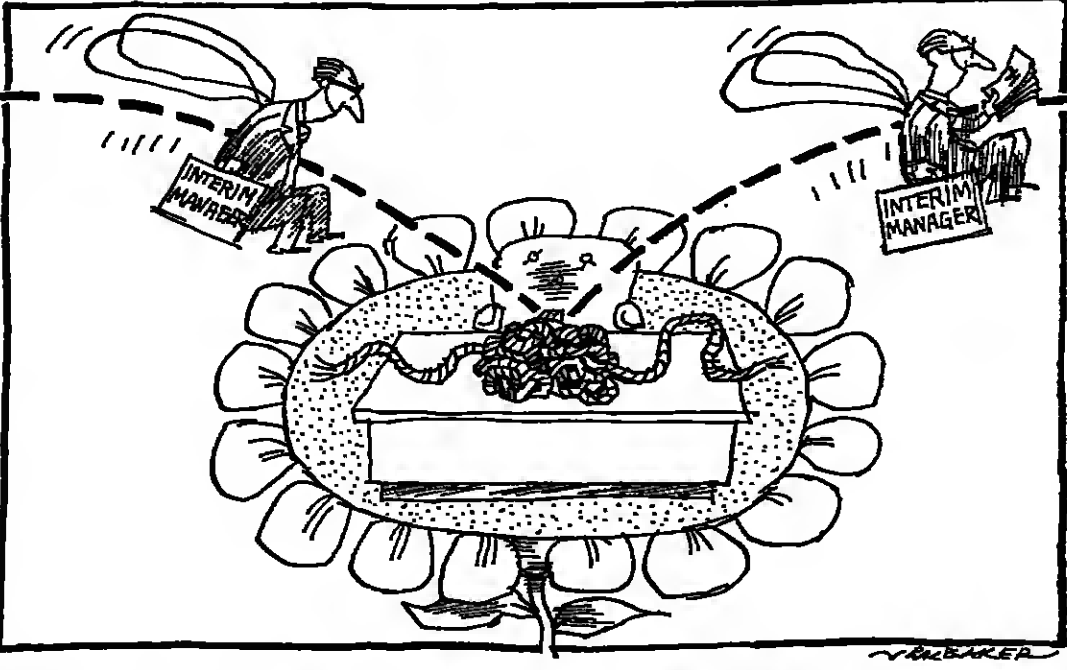
Interim management, as these practitioners went on to explain to Sir John, is half way between consultancy and recruitment. The interim manager is there not just to advise, but to implement: "to make it happen". But unlike permanent managers, their contribution is limited in time and during each assignment they remain independent.

According to Martin Wood, director in charge of interim management at PA Consulting, only one in eight large British companies has used interim management. Most of the others either have not heard of it, like Sir John, or have prejudices that prevent them from trying it.

One problem is the name. There is no agreement about what interim managers should be called. They

Lucy Kellaway reports on companies that have turned to outside managers for help with short-term problems

Troubleshooters for hire



are also known as flexi-executives, portfolio executives, bandymen (after management guru Charles Handy, who advocates flexible working patterns), temporary executives, freelance managers, managers for hire and line consultants. In the US the terms "head renting" and "executive leasing" are also common.

Whatever their name, their task is a demanding one. Some companies doubt whether an outsider can get immediate results in an unfamiliar environment. It is much harder to be a good interim manager than simply a good manager. According to Wood, the ideal person is aged between 45 and 65, and has senior board experience. They need to be over-qualified for the work in hand, as they will probably come in late and be expected to sort things out at once.

"They must have the skills of a good consultant, and must be able to handle a team. They must not be politicians, but must wear their hearts on their sleeve," says Wood.

They also need to be of independent financial means, as they must never be dependent on any one employer, and they must not be searching for full-time employment.

For the right person the pay is good, anything between £300 and £1,000 a day, which is two to three times the going rate for the job in hand. There are no other employ-

The ideal person is between 45-65, has board experience and is overqualified for the work in hand

ment costs, and interim managers can be dispensed with as soon as the services are no longer wanted.

The skills of an interim manager improve with time. John Baker has been one for six years and has been involved in putting quality programmes into three companies. "I learned lessons from the first,

applied them in the second, and in the third we put in BS5750 with remarkable ease, against a background of a bunch of guys saying: 'We can't possibly do it.'"

Interim managers are to be found in an array of peculiar situations. They have been working at Leyland OAF keeping the company going while the receiver looked for buyers. At the long-delayed British Library, an interim manager, who has done project directorships for the Aga Khan, has been brought in to hurry the project along.

Different companies use them for different reasons. Britannia Life hired an interim manager to help absorb the acquisition of a fellow financial services company. "We needed a thorough review, and needed it quickly," said Peter Burdon, managing director. He decided not to employ a consultant because "they are isolated and sell solutions. They also run up all sorts of extra costs. An interim manager is a fixed cost".

Within days the agency identified

two candidates, and the one Britannia chose started work within a week. The experiment was a great success, and the manager is now on the permanent staff.

Birky Plastics, a subsidiary of the Japanese group Marubeni, brought in an interim manager while a less-experienced internal candidate was being groomed for the job. "We found we could involve the new man in numerous areas of business without threatening anyone as they knew he was only there for a short time," said Tony Wright, chief executive.

There is potential for friction between the interim manager and the existing staff, many of whom may suspect the outsider and begrudge his fatter pay packet. Some interim executives think that these problems are best dealt with directly.

"I get the guys together and say: 'Well, I am taking this job on a contract basis and I am in charge from now on until you are told otherwise. With a sufficiently managing glare round the room, nothing more gets said about it,'" says Baker.

Others prefer the softly-softly route. "You cannot go in there with the assumption that you can plough through it," says Martin Rosenhead, who has done interim management work for large organisations including the police and the prisons. "You have got to persuade them that you are not threatening, because they have been used to being threatened, and are well trained to cope with it for a very long time."

Yet it can all go horribly wrong. According to John Hird, chairman of the Association of Temporary and Interim Executives, one company hired an interim computer specialist who caused untold damage by buying the wrong computer equipment, while another company took on a temporary finance director who turned out to be unqualified and incompetent.

One answer, says Hird, might be to go through a reliable agency rather than through an "old boy" network, as the agency, which has its reputation to defend, should have put more time into selecting the right people. However, this route may cost more: an agency usually takes 25 to 40 per cent of the salary. There are a growing number of agencies - such as P-E International, PA Consulting and Albermarle - which have several hundred interim managers on their books.

The notion of interim management will only catch on in a big way if a large enough pool of exceptional people can be found. Good managers are rare enough, and if good interim managers are still fewer and farther between, the market may continue to grow slowly, no matter how persuasive its logic.

Taking quality to heart

Tim Dickson reports a cultural change at Legal & General

For an idea so firmly established in the consultants' lexicon, total quality management has recently encountered a surprising amount of flak. More than one survey has revealed that many companies feel TQM has not delivered the results hoped for. Legal & General, however, is not disenchanted.

Through its "quality development" programme, the large UK life and pensions provider says it has substantially improved its service administration, cut its cost base and boosted its standing with the independent financial advisers which sell its products.

Outside recognition came when Legal & General won the 1992 "Administering Total Quality" award of the Institute of Administrative Management. But the initiative had its roots much earlier during the boom in life and pensions products of the mid and late 1980s.

"From 1988 onwards our administrative systems were starting to creak," says Ray Wilkinson, manager in charge of the quality programme at L & G's administrative headquarters for high-volume individual products in Hove, Sussex. "With the onset of the recession it was also clear that, like our competitors, our expense base had become too fat."

Faced with a much tougher environment, L & G established a three-pronged strategy of which better service was one component. The other prongs were an overhaul of product design and improved investment performance.

L & G managers involved in the quality programme - which consumed 10,000 work days of training in 1992 alone - believe that efforts to make the continuous improvement philosophy acceptable throughout the company were important to its success.

A policy of open communication helped, including staff feedback sessions over coffee and regular assessments by staff of their managers. Managers cannot hide in their offices (the Hove headquarters has just three).

A questioning attitude is the heart of healthy TQM. After soliciting ideas from employees, L & G implemented 800 "projects for improvement" in 1992. Another 2,000 "opportunities for improvement" were raised.

"These have to be followed through, or the manager has to justify why they are not being pursued," Wilkinson explains. Quality improvement means, a "quality creed", and the development of a common quality language were all part of L & G's approach. "It is not so much the structure that is important," says Wilkinson. "It's the attitude and willingness of people to implement it." Regular feedback, a system of rewards and recognition, and competitions between sections are all part of the process.

To keep the focus on customers, L & G introduced customer advisory groups - panels of brokers and agents which meet at least every three months.

Ideas from these panels were fed last year into a document called the "Commitment to Customer Service" which represents the centrepiece of L & G's quality programme. It lists targets, times for 38 processes - such as policy quotation, underwriting and claims settlement - alongside the company's results for the latest and previous quarters.

A better yardstick of progress may be a survey conducted this year by City Research which showed that independent financial advisers rated L & G number 11 out of 23 life companies in terms of head office efficiency and prompt despatch of documents (against 18th a year ago). On existing policy service and prompt commission payment L & G improved from 18th to 10th and 16th to 9th respectively.

Robin Phillips, managing director of L & G's services division, says rival companies have been visiting Hove to learn from the L & G example. He is not concerned about unwittingly giving away secrets. "I don't think we can be copied that easily," he says. "You can mimic a product but not a culture change like ours."

CONSTRUCTION CONTRACTS

Improving Hong Kong bridge plan access to the M11

The first contract to construct the eastern end of the Hackney Wick to M11 Link road at Wandstead - known as contract 4 - has been awarded to NORWEST HOLST by the Department of Transport.

Contract 4 runs from Selsdon Road through to the River Roding covering a distance of 1.54 kilometres.

Work on the £31.5m contract is expected to start in September and will take four years.

Heathrow terminal

COUVES, the Tyneside-based firm of architects, has landed the B.A.A. (British Airports Authority) Heathrow Express extension to Terminal 5 design contract, alongside Bovis and the Richard Rogers Partnership.

The extension is part of the £900m project scheduled for completion in the year 2003 and the firm is currently investigating possible options for the layout and its interfaces with the design for Terminal 5.

John Sisk busy

JOHN SISK & SON has won contracts in June/July totalling £25.5m. They include the refurbishment of the student union building at the South Bank University, refurbishment and conversion at the University of Westminster and refurbishment for the University of Wolverhampton.

Hotel projects

RE FARQUHAR has won contracts worth £1.4m to supply bedroom and bathroom modules for two luxury hotels. The company is supplying 128 bathroom modules for the new De Vere Grand Harbour Hotel in Southampton and 66 modules containing bedrooms, suites and stairwells for a Friendly Hotel being built in Loughborough.

Plant development

COURTAULDS ENGINEERING has been awarded a contract valued at approximately £3.6m by Borden (UK), part of Borden Inc, for the expansion and upgrading of its Peterlee, Co Durham plant.

The first of two giant concrete towers (pictured right), which will support the Tsing Ma Bridge in Hong Kong, has reached a height of 100 metres, eight weeks after construction began.

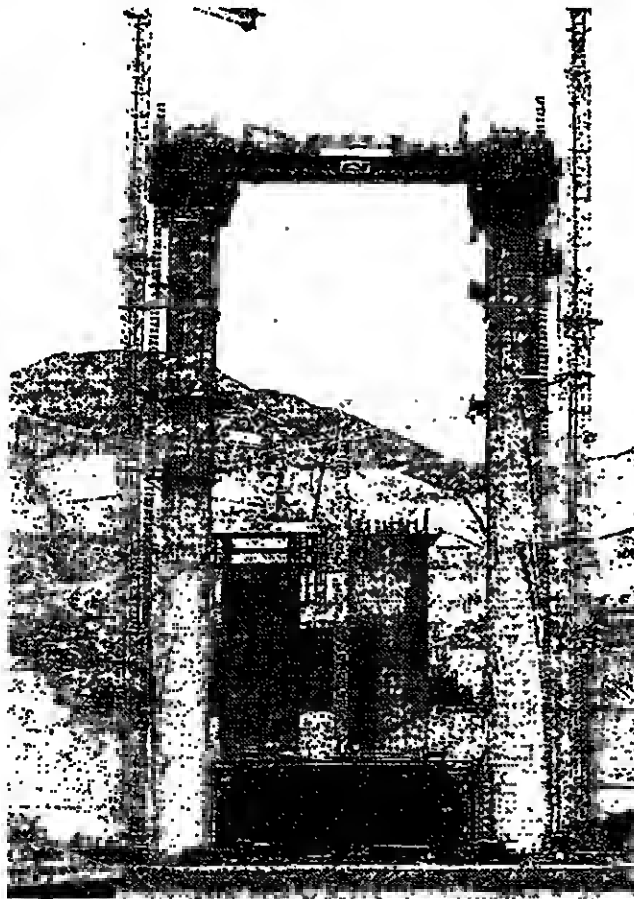
When the project is completed in mid-September the concrete tower, located on Tsing Yi, will be 190 metres - the same height as some of the modern 60-storey office buildings in Hong Kong's central district.

Work on the second 190-metre concrete tower, at the Ma Wan end of the bridge, is expected to begin in August and be completed in three months.

The towers are being built by a process known as slip-forming, which accelerates the speed at which concrete can be poured. The forms - or shutters - which surround the concrete move steadily upwards.

Steel trusses weighing up to 165 tonnes each will be installed to brace the tower legs temporarily as concrete work proceeds. The trusses will eventually be encased in reinforced concrete and prestressed to the tower legs.

The bridge is being built under a contract awarded last May to the Anglo-Japanese Construction Joint Venture.



Road management project in Belarus

RENDEL PALMER & TRITON is working on a project aimed at rehabilitating and introducing effective management of the strategic M1/E30 road link between Warsaw and Moscow.

The road is a major corridor in the state of Belarus linking 11 towns with a population catchment of nearly three million people. The M1/E30, although designed to generous standards, is poorly maintained and managed.

Rendel, in association with the French company, BCEOM, has been appointed by the Belarus Government and the European Community.

The European Bank for Reconstruction and Development is acting as executing agency.

The objective of the four-month project is to establish an effective management and development organisation for the road.

Within this framework rehabilitation is to be undertaken and maintenance equipment procured.

Five new 105 metre-long groynes are to be constructed at Rottingdean to retain a beach. The two terminal groynes will be rock.

lion people. The M1/E30, although designed to generous standards, is poorly maintained and managed.

Rendel, in association with the French company, BCEOM, has been appointed by the Belarus Government and the European Community.

The European Bank for Reconstruction and Development

is acting as executing agency.

The objective of the four-month project is to establish an effective management and development organisation for the road.

Within this framework rehabilitation is to be undertaken and maintenance equipment procured.

Five new 105 metre-long groynes are to be constructed at Rottingdean to retain a beach. The two terminal groynes will be rock.

The new reinforced mass

concrete sea wall facing will incorporate a parapet and wave return, the total encasement depth varying from 500 millimetres to three metres thickness; the shallower having expansion joints every six metres and those over one metre thick having joints every 18 metres.

Five new 105 metre-long groynes are to be constructed at Rottingdean to retain a beach. The two terminal groynes will be rock.

The new reinforced mass

concrete sea wall facing will incorporate a parapet and wave return, the total encasement depth varying from 500 millimetres to three metres thickness; the shallower having expansion joints every six metres and those over one metre thick having joints every 18 metres.

Five new 105 metre-long groynes are to be constructed at Rottingdean to retain a beach. The two terminal groynes will be rock.

The new reinforced mass

concrete sea wall facing will incorporate a parapet and wave return, the total encasement depth varying from 500 millimetres to three metres thickness; the shallower having expansion joints every six metres and those over one metre thick having joints every 18 metres.

Five new 105 metre-long groynes are to be constructed at Rottingdean to retain a beach. The two terminal groynes will be rock.

The new reinforced mass

PEOPLE



Alistair Mitchell-Innes, former chief executive of Isoceles, is becoming non-executive director and chairman designate of Sidney Banks, the Bedfordshire grain and agriculture specialist. The current chairman, John Burr, who has been in the position since 1980 and is 75 years old, wants to retire in January next year.

"We are not looking for someone to transform our debt situation because we have not got one," says Richard Banks, joint managing director, when asked about Mitchell-Innes's

two years at the heavily-indebted supermarket operator Isoceles. "Alistair has wide experience in food manufacturing and that is the direction in which our company is moving." He has chief executive of Nabisco Group between 1985 and 1989.

Sidney Banks has recently acquired a rice-milling operation as well as a company that trades in spices and coffee. Mitchell-Innes is also deputy chairman of L.P. Bulmer and a non-executive director of Next and Evans Halshaw.

Finance moves

Mike Webb, marketing services manager, is joining the board of PROLIFIC Unit Trust Managers, as is Gary Marshall, who is moving from Scottish Provident. Caroline Robinson, Prolific European income unit trust fund manager, is joining the board of Prolific Asset Management.

James Glancy is moving from NatWest Securities to become a director of Bell Lawrie White & Co, part of BREWIN DOLPHIN.

Azmarie Sadi has been appointed European marketing director of BZW Asset Management. Clare Doble, city editor of the Independent, is also joining BZWAM as editor of its publications.

John Butterworth has been appointed director and head of banking at HENRY ANSBACHER, part of First National Bank of Southern Africa; he moves from Wasserstein Perella.

Peter Whelpston, formerly head of the Far East desk of Prudential Portfolio Managers, has been appointed president and investment director of INOOSUEZ GARTMORE ASSET MANAGEMENT

(JAPAN); he replaces Andrew Fleming, who is appointed head of the Pacific Rim desk in London.

Sean Quinn has been appointed a director within the service product division of SWISS BANK CORPORATION; he moves from Chase Manhattan.

Guy Crawford, a founder/director of Dunedin Fund Managers, has been appointed a director of Clan Asset Management, a subsidiary of CALEDONIA INVESTMENTS.

Michael Leather and Graham Thelwall Jones have been appointed directors of RATHBONE BROS & Co.

Stewart Millman, formerly joint md of de Zoete & Bevan, has been appointed deputy chairman of NATWEST Wood Mackenzie.

David Moore, formerly head of fixed income at BZW Investment Management, has been appointed a director of CREDIT LYONNAIS ROUSE.

Rick Sogber has been appointed a director of L.C.F. Edmond de Rothschild Securities.

Jeremy Gray and Nigel Higgins have been appointed directors of N.M. Rothschild & Sons.

Resort Hotels checks in a different chairman

Resort Hotels, which saw its shares suspended mid July and appointed independent accountants to investigate "a number of financial and reporting issues", has changed its plans regarding the chairmanship succession.

Current chairman Richard Strong has resigned, a few months earlier than planned, while Kleinwort Benson deputy chairman Tim Barker, who was named chairman designate of Resort in February, will not now take up that position, remaining as deputy chairman. Instead, David Tonkinson,

who had been deputy chairman until Barker was appointed, now becomes chairman. In February he "happily stood aside for someone with as much prestige as Tim Barker" as Robert Field, who resigned as managing director when the shares were suspended, said at the time. Barker explains that Tonkinson has "got the time available". He lives fairly near Resort's Brighton office and is "largely retired", Barker says. Tonkinson is a former managing partner of the Brighton office of Grant Thornton.

Talking and walking like a retailer

Following an internal reorganisation designed to sharpen its retailing skills, Post Office Counters has brought in Mike Flanagan to the new board position of network director.

A marketing man who has worked with Gateways, BP, Lescroart and Wickes, he is the only one of the six-man board who has been recruited into his current position from outside.

Post Office Counters, which runs 20,000 post offices and hence claims to be the largest retail network chain in Europe, has been slimming down its head office and transferring more accountability to retail network managers.

Under the new structure, each board member also has line management responsibilities for one or more regions, with Flanagan looking after the South East and Scotland and Northern Ireland.

Much of Flanagan's new network job had previously been performed by an operations director.

Flanagan, 44, says his aim is to dispel the "feel of going into a government office. We have 19,000 independent dealers; we need to get them to start using the vocabulary of shopkeepers not civil servants. They have to start talking, then walking, like retailers."

In the last decade, Flanagan has moved about a bit. From an advertising background, he became marketing director of Fine Fare and Gateway in the mid 1980's before moving across to BP in 1987, where he



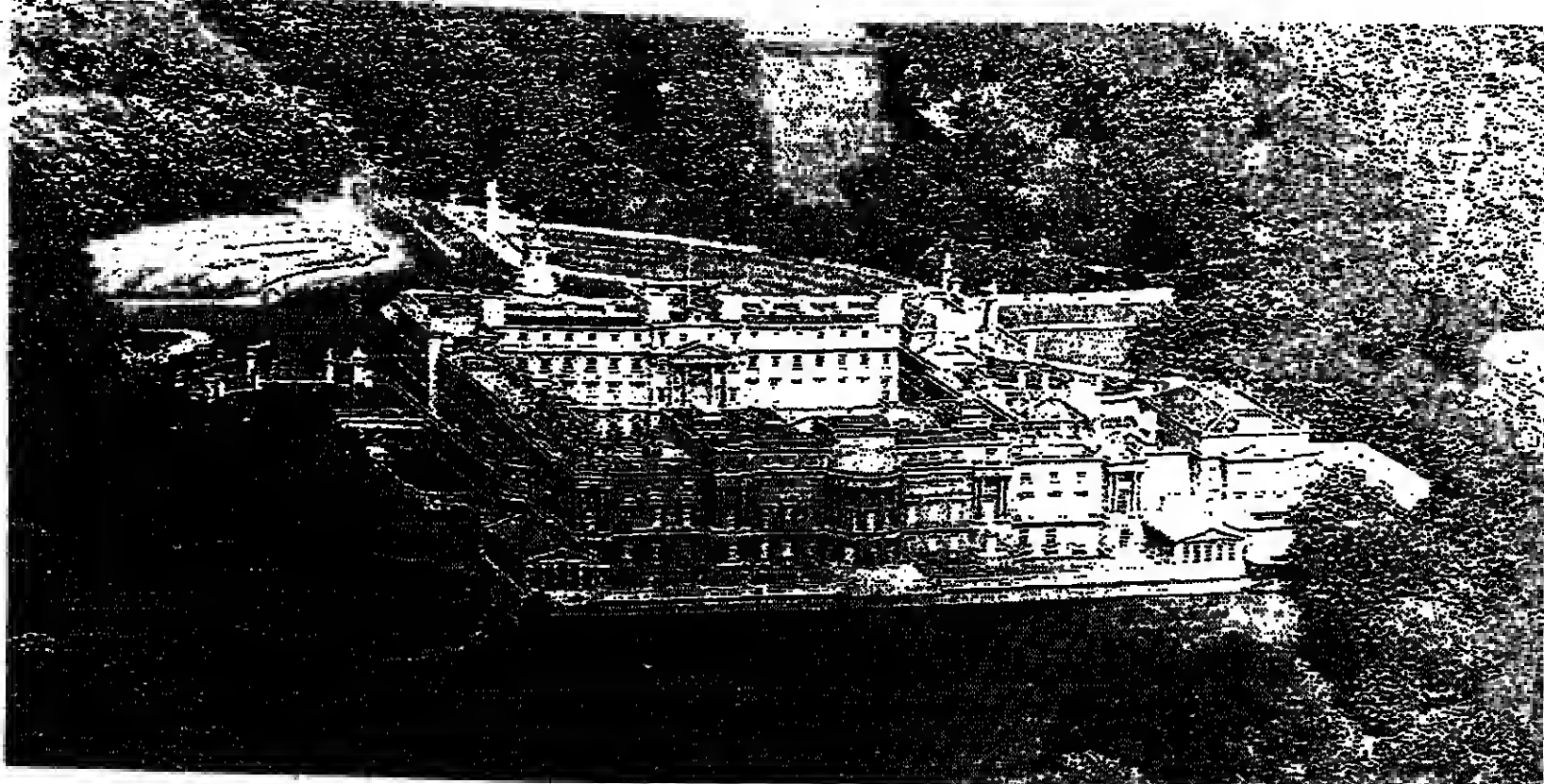
was manager of merchandise retailing.

During his three years he set up convenience stores at several hundred European petrol stations and sharpened up merchandising standards in others, in Europe, the US, and South East Asia.

He was briefly managing director of Lescroart in the UK, but was edged out when the company hit the recession in its home US market, and sent an American over to run the UK side. He then became marketing and buying director of Wickes Building Supplies, but fell out with his managing director six months ago.

He intends to stay at the Post Office, however. "I'd be amazed if I were not here for the rest of the century."

ARTS GUIDE



Rediscovery: John Nash designed the facade at the rear of Buckingham Palace - the more familiar front was modelled in 1913

The Palace that Nash built

Colin Amery on the architectural delights awaiting visitors to Buckingham Palace

As the doors of Buckingham Palace open to the general public for the first time, it is a good moment to look at the architectural quality of London's royal quarter. Visitors who stand in the inevitable queue for their admission tickets in The Mall will find themselves on the very spot which was, until the early years of this century, the centre of an architectural debate about the appropriate metropolitan setting for the British monarchy. Looking westwards down The Mall today towards the familiar balcony front of the palace what we see is the solid, unsmiling imperial world of 1913.

King Edward VII's wish to commemorate his mother's reign led to a national competition and public appeal in 1901 for the Queen Victoria Memorial. This was won by Sir Aston Webb and there were sufficient funds left over for the refronting of Buckingham Palace - a cover-up in Portland stone of the crumbling facade that Edward Bloer had designed for Queen Victoria. This heavyweight axial arrangement at the end of The Mall is matched by the re-ordering carried out at the Trafalgar Square end where Sir Aston Webb built the Admiralty Arch in 1910.

The joyous revelation that has been made possible by the opening of the palace to the public will be the rediscovery of the world of King George IV and his architect John Nash that still lies behind the somewhat rigid and reserved public face of the palace. King George V appreciated Sir Aston Webb's efforts to make the palace appear ship-

shape, and knighted Sir Thomas Brock on the spot for his 13-foot high solid marble figure of Queen Victoria, but it was the earlier King George who was responsible for supporting the artistic and architectural achievement of Nash which can now be shared by the public.

When the Prince Regent became King George IV at the age of 58 in 1820, there was a sense manifested at his coronation that he represented a victorious and thriving nation. It was felt that the effectiveness of the monarchy as a symbol of national pride would be conveyed with more conviction if it could be associated with a metropolitan palace of distinction. St. James's had long been considered poverty-stricken, Kensington Place too modest, Hampton Court and Greenwich too far away, and Carlton House too close to the street and not grand enough for a monarch.

The nearest thing to a palace was undoubtedly Buckingham House, which King George III had purchased in 1762 and settled upon his consort. It occupied large grounds and had important family associations, as all George IV's brothers and sisters had been born there. This was the house the king decided to expand and virtually rebuild with Nash's help. There is no doubt that King George IV and John Nash shared a vision of London as an important and beautiful European capital. The construction of Regent Street, the laying out of Regent's Park, and the replacement of Carlton House by the great stucco Carlton House Terrace, are all part of this vision. The picture-

esque arrangement of St. James's Park is largely the design of Nash and it brought a particular relaxed Englishness to the palatial formality he was to build on the site of Buckingham House.

Summer visitors to the palace will enter by a side door but will soon find themselves in Nash's quadrangle which they will cross to enter the state apartments through Nash's grand entrance portico. The original Nash palace was a three-sided building open to The Mall, and roughly where the gates are today stood the Marble Arch as a triumphal entry to the royal domain. It is worth remembering that the architect had the restraining bones of old Buckingham House to deal with, which had been added to but was never really seen as a palace. Also, he was always under financial scrutiny and his client had the reputation of letting money slip through his fingers with remarkable ease. Despite all this Nash achieved a suite of state rooms that is one of the architectural secrets of Europe.

Although some of their decoration has been modified the major rooms (with the exception of the Picture Gallery) can be seen as largely Nash's creation. The rooms with their furniture represent the final flowering of the king's Francophile taste and reflect also the influence of Charles Long, Lord Farnborough, who was the éminence grise behind all George IV's building projects. What visitors will enjoy is the very high standard of craftsmanship and sculpture in all the rooms. Nash rightly brought to the palace the best

carvers, sculptors and craftsmen he could find.

Each room is both dignified and rich: the Green Drawing Room and the Throne Room on the courtyard side have a ceremonial distinction that sets them apart from some of the more relaxed but equally rich rooms on the garden side. Nash was good at smaller rooms, too, and at arranging for a sense of theatre as visitors progress from the low-ceilinged ground floor rooms to the grand staircase and the remarkable mirrored enfilade of the state rooms.

Originally George IV had intended Buckingham Palace to be his private London residence while he used the refurbished state rooms of St. James's Palace for his Court functions and ceremonies. It was his buoyant enthusiasm for Nash's new palace that brought about the decision to use it as a state palace. It was this decision that was responsible for the immense enrichment of the state rooms, especially the elaboration of their gilded ceilings. It is important to remember that it is the Edwardian redecoration of Buckingham Palace that gives it that overall air of red, white and gold. When Nash had completed his work there was more colour, more silk on the walls and a less institutional feel to much of the palace. To see the state rooms today is still an immense thrill because they represent one of the most original architectural achievements in any European palace; they retain to a degree that particular sense of English splendour that is both low-key and sumptuous.

Theatre/Malcolm Rutherford

The Basset Table

Susanna Centlivre, who died in 1723, is having a pretty good year. After well over a century of neglect, two of her plays have been produced on the London fringe in the past few months and, on the evidence so far, one must hope for more.

Ms Centlivre was one of the first women playwrights. As a contemporary of Congreve, Farquhar and Wycherley, she had a lot to compete with. She was also prolific in her output and one wonders now, with obvious hindsight, whether she was perhaps the most interesting of them all. Today some of her political references seem obscure, but no more than in the others.

Her talent was not so much to write good plays - her plots and sub-plots are all over the place - as to write good parts. She did so in abundance. When *The Artifice* was revived at the Orange Tree in Richmond earlier this year, I was struck by the sheer number of roles - Mr Watchitt and the Widow Heedless, for examples - that any actor or actress would like to have played.

Now that *The Basset Table* is appearing at the New End Theatre in Hampstead, another compliment is in order: Ms Centlivre wrote some very good scenes. Basset is a game

previously unknown to me. It appears to consist simply of waging which card will come up closest to your own, with the odds lying heavily in favour of the banker. It is much more primitive than (say) pontoon and entirely devoid of skill.

At Hampstead they seem to play it with up pieces, no doubt as a symbol of the shoe-string nature of the theatre. Yet precisely because the game is so primitive, it brings out the edditive nature of the gambler, and in the women more than the men. The specific scene at the table, where they cheat under and over the counter, is magnificent, almost a forerunner of subsequent Hollywood movies about other games for higher stakes.

Yet that is not all. *The Basset Table* contains a wonderful female character in Valeria, whose interest in the gaming table is non-existent. Played by Geraldine O'Connell, she is a scientist and philosopher who dissects animals in the pursuit of knowledge about the human condition. "Cousin," she says to another woman, "I'll give you this jewel for your Italian greyhound," which she intends to cut up.

In a later period Valeria might have been called a blue-stocking. Ms Centlivre, how-

ever, is much more subtle than that. Valeria is a most attractive lady who dresses well, knows the man she wants and gets him in the end.

It is tempting to say, and some people do say, that this was the advent of feminism. Valeria is attacked for her interest in science not only by her embarrassed father, but by the rest of the females. "Ridiculous learning," says one. "Ridiculous," indeed, for women," says another. "Philosophy suits our sex as jackboots would do."

My own view is that Ms Centlivre was remarkably even-handed. Some of the men are dolts as well as some of the women: some of the men, such as Tony Tarrats as Sir James Courtly, are also clever and generous. She gives an overall, accurate view of society, and she does it in such a sprightly fashion that this production by the Company of Clerks deserves a bigger showing than the tiny Hampstead stage allows. The list of good parts (13 in all) extends all the way down the line, notably Constantine Byrne as Mrs Sago. Between them the Orange Tree and the New End have begun a major work of restoration.

New End Theatre Hampstead until August 29. (071) 794 9963

Music/Paul Driver

Goehr at Tanglewood

Tanglewood is the most celebrated and influential of America's numerous summer music festivals. With its concert series and renowned summer school for performers and composers - the Tanglewood Music Centre - it is blessed beyond its musical distinctions with as romantic a site and mountain prospect as can be found anywhere. Dating back to the early 1930s, the festival has from the start been a major enterprise of the Boston Symphony Orchestra, whose then conductor, Serge Koussevitzky, created the school and selected the architect (Ellis Saarinen) for the famous "shed" - an enormous radial structure, open at one end to the elements, but possessed of remarkable acoustics - which since its 50th anniversary, in 1983, has borne his name.

Beyond the shed's slender posts stretch immense lawns shaded by a fantasy of lofty trees and decorated by topiary hedges, a vine trellis and a recently installed "analemmatic" sundial. Besides the shed, there is a "theatre-concert hall" for recitals, student concerts and the events of the subsidiary Festival of Contemporary Music. A new concert hall now being built will release the theatre-concert hall for operatic productions by the TMC. The shed seats 5,000. When the lawns are fully occupied, the total capacity is well over 16,000 and the feeling is truly of a "national" occasion.

The main (orchestral) concerts take place on Friday and Saturday nights and Sunday afternoons throughout July and August - a total of 22 appearances by the BSO this year, in programmes making a feature of Tchaikovsky and Rakhmaninov, respectively 100 and 50 years dead. Very much alive - nearly 61 years old - is the British composer Alexander Goehr, who is in residence the summer long to teach the TMC composition fellows and enjoy a "mini-festival" of performances of half a dozen of his own works, including a repeat of the 25-minute piece *Colossus or Panic*, Op. 55, written to a Koussevitzky commission for the BSO and premiered at Symphony Hall, Boston, last April. (It was warmly welcomed on this page by Paul Griffiths.)

The Goehr context was nicely sketched in a "Prelude" concert by the Tanglewood Festival Chorus - his *capella Imitations of Baudelaire* (1985) - and the three programmes forming the first half of this year's contemporary music festival. Composer-conductor Oliver Knussen has been in charge of the latter for seven years, and for this last festival he has chosen to arrange the concerts in two "clusters" separated by three weeks. Treats such as Stockhausen's *Gruppen* for three orchestras are in store for the end of the month.

Meanwhile we have had some sufficiently fascinating evenings. On August 1, for instance, TMC players and conductors began with Robin Holloway's aptly mosquito-bitten and stickily-irritable *Summer Music* (1992), proceeded to a dynamic, high-definition Stefan Wolpe quartet (*From Here On Forwards*, 1989), Hanns Eisler's amazingly deft, deliciously fleet *Fourteen Wags of Describing Roan*, Op. 70 (originally a film score), and a rare and tantalising bit of Busoni (the Red Indian-inspired *Song of the Spirit Dance*, from 1915), before ending with Goehr's superbly cogent and touching *Little Symphony*, Op. 16 (1963), in an account under Knussen's own direction that was a model of keenness and clarity.

Goehr's fine piano trio (1986) had been played the previous night; and the following night brought his ambitious and curious song-cycle to Frank Kermode's elaborate cento of English poems, *Sing, Ariel*, Op. 51 (1990), conducted by Knussen, its dedicatee. The work is curious not least because the instrumental parts, or at any rate the piano and double-bass cadenzas, tend to sound more commandingly lyrical than the mezzo-soprano (Lucy Seltman) herself or her two soprano accomplices.

The big Goehr orchestral piece, given on a Sunday afternoon programme under (as before) Seiji Ozawa, also struck me as curious - impressive, original, felicitous, but not untypically evasive in sensibility and gesture. I find it nearly impossible to relate the music to the alarming Goya image on which it is allegedly founded.

The colossus to which the two movements do react is more likely the monster of Musical Tradition. This is a self-proclaimed "symphonic fragment", not a symphony. It seeks to avoid and yet has been partially crushed by the giant foot of the Past. Steeped in traditional rhetoric, the music nonetheless attempts to reduce it to ridicule.

The two movements seem uncertain of their precise function while toying with symphonic archetypes. A scherzo-and-trio form is buried in the first (and longer) of them. The second, marked *Maestoso*, evokes the pulsing string lines, the ecstatic melodic sequences of a Bruckner Adagio, but instantly wrecks such expressive clichés of the celesta. There is great beauty, though, to be found in ruins, and Ozawa's confident reading revealed it in all its strangeness.

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0630
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Dance/Clement Crisp

Isadora's Day

Isadora! The first name is enough, and she haunts us still. Whatever Isadora Duncan was in her life - free soul and freed body, the inspirational dancer of her last years or the sassy relic of the last days in Nice - she reverberates through the artistic consciousness of our century as have few other women. Extraordinarily, for a dancer whose legacy in us is no more than a frayed reputation and some glorious photographic images, Isadora still inspires, is still emulated.

So, on Wednesday, the Royal Festival Hall's jolly Ballroom Blitz season (all kinds of dance for all kinds of people) held a Duncan Day. There were videos, classes, a performance of dances from Gluck's *Orfeo* (some ascribed to Duncan, others made up by performers from Moscow, Paris and London, to indicate the continuing and persistent image of that heroic figure whom we see caught between the portals of the Partizanon by Edward Steichen's camera.

Today Duncan's life matters less -

typical of her as it was in its enthusiasm and impracticalities - than the idea of what she did. Gordon Craig, father of one of her children, told of the excitement of her presence. "She was speaking her own language... and she was telling to the air the very things we longed to hear and until she came we never dreamed we should hear; and now we heard them, and this sent us all into an unusual state of joy." This image of the ecstatic dancer, immeasurably beautiful in her message, is what her public and her pupils treasured, and it is one we treasure still.

No film exists of Duncan. We know her through legend, through myriad drawings, through Steichen's and Steiglitz's photographs. "Duncanism," as a way of movement, was perpetuated after her death by pupils, but little of

what I have seen of reconstructions has persuaded me that this could inspire artists and thrill audiences as did Duncan's every move. Probably the best indications of Duncan's manner came from Ashton's *Brahms' Waltzes* for Lynn Seymour, where dancer and dance beautifully imagined her presence; from Vivienne Pickle's astonishing impersonation in Ken Russell's television study; and from the joint performances of Merle Park and Mary Miller in Macmillan's *Isadora*. What we sensed in these homages was the intoxication of Duncan's movement, and its communicative grace and power.

Wednesday's dutiful exposition by dancers and pupils from the Moscow School of Music and Movement, and the London-based Isadora Duncan Dance Group, was something altogether more

sober-sided - not a quality one would associate with Duncan. At its best, in *Orfeo*'s two Laments and the Dance of the Blessed Spirits, the dance had a simplicity and a gestural clarity (arms slowly raised, bodies held in sculptural poses) that touchingly told of Duncan's worship of the antique. Other sequences were too innocent in means, and what was proposed as Duncan's own dances for the Furies did no service to her memory or to Gluck.

Yet Isadora still speaks to dancers, he it in spirit messages - which these dances really were - or as educational example. The Duncan Dance Group plainly reveres her example. A Moscow *Duncan Academy* existed until 1946. (Duncan went to Russia in 1921 to teach the children of its new society to dance.) The Moscow performers are from a school lately founded to provide training inspired by Duncan's ideals. Edward Gordon Craig said that Duncan's dancing was "Something uttered on the divine theme". We can do worse for the young than show them this.

29, with a cast led by Peter Seifert and Eva Mei (200 4762). The Berlin Festival opens at the Philharmonie on Aug 31 with a Mahler concert conducted by Barenboim (254890)

■ BONN

Belgian pianist André de Groote gives the second recital in his complete survey of Beethoven piano sonatas tomorrow at Beethoven-Haus, continuing every Tues till Sep 25 except Sep 1 (1932500). Bonn Opera opens its 1993-4 season on Aug 28 with Prokofiev's ballet *Romeo and Juliet*, followed on Aug 31 by the first of five performances of the new Lyubimov/Schnittke music-theatre piece *Hommage to Zhivago* (773667)

■ DRESDEN

Dresden Philharmonic Orchestra gives open-air serenade concerts at Schlosspark Pfaffitz on Sat and Sun (also Aug 29), featuring music by Dvorak, Dittersdorf and Mozart (4866 866). Giuseppe Sinopoli and the Dresden Staatskapelle open the new season at the Semperoper on Aug 29 with the first of three symphony concerts (4842 323)

■ FRANKFURT

Frankfurt trombonist Albert Mangelsdorff gives the last of this summer's open-air jazz concerts in Palmengarten on Thurs, with his American trio partners Eric Watson and John Lindberg. The concert begins at 19.30 at the Musikpavillon, begins at 19.30 at the Palmengarten or in the rain at the Gesellschaftshaus.
● The 1993 Frankfurt Festival

opens on Sep 3 at Alte Oper with the first of two concerts by St. Petersburg Philharmonic Orchestra. Other guest ensembles include Ensemble Modern, Wiener Akademie original instrument group, National Youth Orchestra of Great Britain, Young Israel Philharmonic, Budapest Festival Orchestra, Chamber Orchestra of Europa and La Scala Philharmonic (1340 400)

■ GENEVA

Hôtel de Ville Tonight: Dee Dee Bridgewater, jazz. Wed: Pascal Verrot conducts Orchestre de la Suisse Romande in Britten's *Les Illuminations* (Audrey Michael) and works by Boccherini, Bizet and Roussel. Sun: Philippe Girard conducts works by Rossini, Mozart, Bizet and Milhaud. Next Mon (in Victoria Hall) and Tues: Eric Ericson directs Drottningholm Baroque Ensemble and Chamber Choir in music from Drottningholm. Further orchestral concerts on Aug 18, 20, 24, 26, plus a piano recital by Roland Pöntinen on Aug 19 (812 4353).
Théâtre de Verdure Wed: Bob Wilber jazz quintet. Aug 18: The Real Group vocal quintet from Sweden meets Lena Willemark. Aug 23: piano evening with Henri Chab-François Magnin and Jean-Loup Müller. Aug 25: Dry Throat Fellows, 1930s jazz. Aug 27: Stockholm Jazz Orchestra (386 3876)

■ NEW YORK

THEATRE
● Kiss of the Spider Woman: a Kander and Ebb musical, based

on the novel by Manuel Puig, directed by Harold Prince, with a star performance from Brent Carter as the heroic homosexual window dresser (Broadhurst, 235 West 44th St, 239 6200)

● Angels in America: the first half of Tony Kushner's epic, free-wheeling play about gay life, Reagan-era politics and Mormonism. Not to be missed (Walter Kerr, 219 West 48th St, 238 6200)

● The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

● The Perfect Ganesh: Terrence McNally's poignant play about two middle-aged American women from Connecticut making a pilgrimage through India (City Center Stage 1, 131 West 55th St, 581 1212)

● Jelly's Last Jam: an adventurous and beautifully mounted tribute to the great jazz pioneer Jelly Roll Morton, written and directed by George C. Wolfe (Virginia, 245 West 52nd St, 239 6200)

● Forbidden Broadway 1993: Gerard Alessandrini's musical satire of current Broadway hits, including spoofs of Julie Andrews and Tommy Tune (Theater East, 211 East 60th St, 838 9090)

MUSIC/DANCE
● Mostly Mozart Festival: William Christa conducts Les Arts Florissants in tonight's concert performances of Purcell's *Dido and Aeneas* and Charpentier's *Actéon*. George Cleve conducts this week's Mostly Mozart Orchestra concerts, featuring pianist Horacio Gutierrez and violinist Gil Shaham tomorrow

and Wed, and pianist Imogen Cooper and flautist Jean-Pierre Rampal on Fri and Sat. A chamber music concert on Thurs features violinist Joseph Silverstein, soprano Harolyn Blackwell and others. The festival runs daily except Sun till Aug 21 (Avery Fisher Hall 875 5030)
● New York City Opera: this week's repertoire consists of *Tosca* (tomorrow) and *Saturne* (Wed). La bohème (Wed, German (Fr) and Romberg's *The Student Prince*, which begins a 15-performance run on Sat evening. The first new production of the season is Tippet's *The Midsummer Marriage*, opening on Sep 9 (State Theater 870 5570)

■ STUTTGART

LUDWIGSBURG FESTIVAL
Antonio Meneses and Cecilia Licad give a recital of cello sonatas on Thurs, followed by concert of Spanish guitar and choral music on Fri with the Academy of St Martin in the Fields Chorus, plus flamenco singers, percussion and guitarists including Paco Pena. Sat: Deon van der Walt song recital. Next Mon: Barbara Hendricks. Aug 25: Neville Marriner conducts ASMF. Aug 26: Anne Sophie Mutter. The festival runs till Sep 28 (07141-949810)

■ VIENNA

The final week of open-air performances in the palace gardens of Schönbrunn features a Moscow Chamber Ballet staging of Mozart's *Requiem* tonight and tomorrow, and Vienna Kammeroper's staging of Don Giovanni on Wed, Fri and Sat. The Schlosstheater at Schönbrunn opens a week of

Mozart opera performances on Aug 21 (613 0851)

● Gidon Kremer is violin soloist with Asian Youth Orchestra in a programme of Schnittke and Sibelius at Konzerthaus on Thurs. Other events this week include chamber music recitals with violinist Christian Altenburger and friends at Konzerthaus tomorrow and Wed, an opera concert with Heinz Zednik and other soloists at Theater an der Wien on Thurs, a German Youth Orchestra concert conducted by Lothar Zagrosak at Arkadenhof on Fri and e Mozart, Haydn and Bartok orchestral concert directed by Sándor Végh at Theater an der Wien on Sun. There is also a series of Schubert song recitals at Lichtental (4000 8410)

■ ZURICH

KYBURGADE
The chamber music festival at Kyburg Castle near Winterthur opens on Thurs and continues with daily events till next Tues. Its unique atmosphere stems from the open-air courtyard setting and the participation of one of Europe's leading young string quartets, the Cammina Quartet. They are joined this year by the Vienna String Sextet, the Orlando, Cherubini and Manfred Quartets, the Basle Madrigal Soloists and clarinetist Michael Collins. The programmes range from Mozart, Beethoven, Brahms and Dvorak, to less familiar music by Bruckner and Fanny Hensel-Mendelssohn (Booking at Winterthur Tourist Office 052-212 0088, or Musikhaus Jeklin in Zurich 01-251 5900)

INTERNATIONAL ARTS GUIDE

■ BERLIN

THEATRE
Metropol-Theater has daily performances of *Evita* from tomorrow till Sun (2036 4117). Komödie has daily performances of Neil Simon's play *Runaway* (882 7893). Freilichtbühne an der Zitadelle has open-air performances of Shakespeare's *A Midsummer Night's Dream* daily from tomorrow till Sun, followed next week by Schiller's *The Robbers* (331 6520). The Schauspielhaus opens its new season on Aug 20 with Georg Kaiser's expressionist drama *From Morning to Midnight* (189022)

MUSIC/DANCE

There are daily jazz and pop concerts at Ebersstraße 1, II and III (832 7097, 832 5365, 872 7370). The 1993-4 season at the Deutsche Oper begins with a 5-act cycle, first night Aug 24 (341 0249). Merce Cunningham Dance Company appears at Staatsoper under den Linden on Aug 25 and 27. Daniel Barenboim conducts August Everding's open-air staging of Die Zauberflöte at Wiesbaden on Aug

What is to be done with Britain's coal? There it lies underground, some 2bn tons of it enough to power the nation - in theory, at least - for several hundred years. But after nearly a millennium of working, the cheap coal has gone. The world has vast new reserves to exploit, and British coal no longer repays the cost of digging it up. In pure economic terms, what is the case against closing the pits tomorrow?

The point can be put another way. The world has a finite stock of hydrocarbons. Eventually, as they start to run out, the price will rise. That may take another century or two; but at some point, British coal will acquire a value again. Is it not in the national interest meanwhile to leave it where it is?

The coal industry has a standard answer to this. Even if you stop mining, the pits cost £2m a year each to maintain. If you do not maintain them, they collapse. In that case, if you wanted to regain access to the coal, you would have to dig pits again from scratch, at a cost in today's money of £400m-£500m each. Meanwhile, you are left with huge liabilities in terms of redundancy, industrial sickness and land subsidence.

In the long run, none of this makes real economic sense. The liabilities are a matter of historical fact: the only question is when they are to be addressed. As for the cost of new pits, that is simply part of the calculation. If the coal price is high enough to justify it, well and good. If not, good again.

But hang on, says the coal lobby. If you shut the pits, you are throwing away two kinds of asset: the coal itself, and the means of getting to it. And in terms of the national interest, if you import coal, what about the balance of payments?

This does not make economic sense either. If a thing costs more to obtain than it will sell for, it is not an asset. There is quite a lot of gold and silver underground in Britain. It stays there because it costs too much to recover. No one suggests digging it up regardless, as a means of helping the trade balance. Subsidising production for the sake of import substitution is simple inefficiency.

And British coal is massively subsidised. The director-general of electricity supply puts the amount, in the form of an artificially high coal price, at £2.3bn over the past three

No more buried treasure

The economic argument is winning in the UK coal debate, says Tony Jackson

Years. That cost is paid by the British public, through a higher electricity price. As a tax on business it is a misallocation of resources. As a tax on individuals it is wickedly regressive, since it hits hardest those who spend most time at home: the old, the sick and the unemployed.

As for the asset value of the pits themselves, that is mostly depreciated. Where it is not, there is still no point in throwing good money after bad. There is an analogy to be drawn from the oil industry, installing a platform in the

North Sea costs around £500m, the same as sinking a pit. The oil company will carry on producing until the running costs are higher than the value of the oil. It will then shut the platform down. This involves environmental liabilities, just as with coal. There is also the same option of going back for the remaining oil a century hence. The sums may be tricky; but even if they showed the investment to have been misconceived in the first place, no commercial oil company could convince its shareholders that it should therefore go on running it at a loss.

It might be argued that to characterise the whole British coal industry as uneconomic is too sweeping. Certainly, open-cast mining is profitable, and a handful of pits might be so. In pure economic terms, there is one simple way to find out. Let each pit operate as a separate

commercial entity, competing freely on price. The obvious risk is that short-term price-cutting could prove so ferocious as to drive inherently viable pits out of business. But it should not be beyond the wit of government - which still has a hand in setting the UK coal price - to devise some kind of transitional arrangement.

Above all, the coal industry is now so small as to be in economic terms almost irrelevant. The whole value of Britain's coal reserves at today's price is roughly equal to a month's output of the national economy. In turnover terms, British coal is smaller than Bass, the UK brewer, and half the size of J Sainsbury, the British supermarket chain. It still employs 30,000 miners, and to put them out of work would be atrocious. But these are atrocious times. BT laid off 19,000 workers on a single Friday in July last year.

The political dimension, of course, is something else again. The government tried to wash its hands of the whole affair by privatising electricity, thus aiming to expose the coal industry to the free market. But as it found to its consternation last October, coal still strikes an atavistic chord with the British voter. The whole of the foregoing argument is therefore in one sense irrelevant. However much the government accepts the case, it will proceed only timidly and by degrees.

In another sense, it is the political argument that is irrelevant. Production of British coal has fallen remorselessly for almost 40 years, as has the number of miners. In 1955, British Coal's staff totalled over 700,000. It is now 44,000. In other words, over the long haul the economic logic is winning. It is worth putting such figures in context. Between 1973 and 1990, British coal production fell by 2.2 per cent a year on average. Across Europe as a whole, production fell by 2.3 per cent.

The reason is obvious enough. Europe led the world in the industrial revolution, and used coal to do it. A country like China still has massive rich seams of coal because it is at an earlier stage of economic development. If there is cheap coal to be had elsewhere, the industrialised nations should count themselves fortunate. The demise of British coal is not a sign of decline. With luck, it should be a sign of progress.

For three years Fiat Auto has been living for tomorrow. Beset by the woes of the present - a plunging market share and crumbling profitability - Fiat has been forced to break with the traditions of auto industry secrecy to trumpet abroad its future product plans long before their launch dates.

From 1992 to 1999 Fiat Auto, the car and light commercial vehicles subsidiary of Italy's leading industrial group, is planning to spend £40,000bn (\$25bn) mainly on capital investment and research and development. Between 1992 and 1995 it is promising the launch of 18 models.

It has been darkest just before the dawn. Last year Fiat's automotive operations plunged into an operating loss of £544bn after a three-year slide from an operating profit of £2,362bn in 1989. Its share of the Italian market, once an impregnable domestic fortress, has tumbled in only four years from 60 per cent to a historic low last year of 44 per cent.

In 1983 and 1989 it was proudly challenging the Volkswagen group for leadership in western Europe, as both carmakers hovered at about 15 per cent of the new car market.

But burdened by a humdrum product range and under severe attack from foreign rivals at home, Fiat's fortunes have waned. By last year its share of the western European new car market had shrunk to only 11.9 per cent, while Volkswagen had surged to 17.5 per cent. The Fiat group, which includes Alfa Romeo and Lancia as well as Ferrari, Innocenti and Maserati, fell back to fourth place last year as it was overtaken by both General Motors (Opel/Vauxhall) of the US and PSA Peugeot/Citroën of France. It has lost further ground in the first half of this year.

Virtually all of Europe's leading carmakers have been forced on to short-term working this year in the face of a precipitous drop in demand - new car sales fell by 17 per cent in the first six months - but Fiat was already forced to start cutting production in late 1990. It cut 258,000 vehicles from 1991 output, 230,000 last year and 173,000 in the first six months of this year alone.

However, it insists that the steep decline in western European car sales and the resulting fierce financial squeeze is not yet forcing it to rein in its capital and research and development spending - as at its arch-rival, Volkswagen.

Fiat is pinning its hopes on a model launch and a showcase 'integrated' factory, writes Kevin Done

Man and machine in harmony

Now, finally, Fiat is poised for the counter-attack.

At the end of this month it will unveil in Turin its Punto small car range, the model that will eventually replace the current Uno and will become the most important single model in the Fiat range. The Punto alone will account for more than 40 per cent of the group's total European sales.

The development of the Punto represents much more than just a new car for Fiat, however, to take on rivals such as the Ford Fiesta, the Opel Corsa, the Renault Clio and the Nissan Micra. In the dusty plains of the Mezzo Giorno in the deep south of Italy, Fiat is also transforming the way that it builds cars with the construction of Europe's most modern car plant.

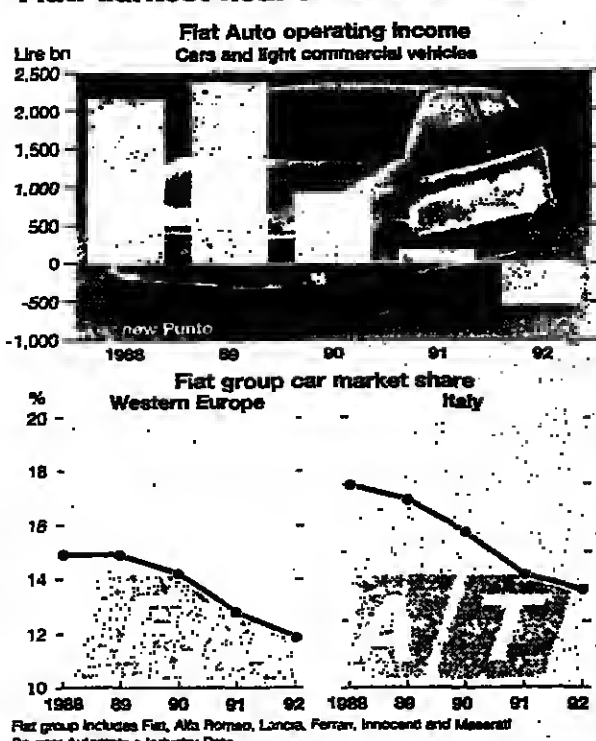
The factory at Melfi, which will begin trial output of the Punto in September and volume production in January, is the showcase demonstration of Fiat's new theology of the "integrated factory", which it has begun to test out selectively at its existing plants in the past 18 months.

Melfi has all the advantages of a greenfield site, a clean drawing board and a new workforce free of the legacy of old industrial practices. The average age of the Melfi workforce is 26 compared with 46 at existing Fiat plants. It promises a substantial leap in productivity to match the best Japanese levels, and will revolutionise the way that Fiat deals with its component suppliers.

Melfi is supposed to move car manufacturing into a new era beyond the much-vaunted lean production of the Japanese carmakers. There is no office building. All technical staff are being moved into the plant beside the stamping, welding, paint and final assembly lines. Work teams are being enlarged to include their own engineering and maintenance specialists in a new form of factory organisation.

Melfi also represents a stark change of tack by the Italian carmaker from its foray into

Fiat: darkest hour is before dawn



the extremes of automation at its Cassino plant in the mid-1980s, where it took the robotisation of final assembly to levels never dared by any other carmaker.

The Cassino automation experiment was a demonstration of strength by Fiat to the

The Punto will account for more than 40% of the group's total European sales

trade unions - after years of industrial strife - that robots could take over many assembly functions from workers. The robots have danced at Cassino, but the extreme automation has never yielded the planned productivity benefits.

At Melfi the accent has

changed. "Cassino was focused on 'hard' issues, Melfi is about 'soft' issues," says Paolo Cantarella, Fiat Auto chief executive. "The integration of man and machine is different at Melfi. It is about how to organise activities, to involve people, to train them and keep them motivated in the job, rather than how to put the wheel on the car. We know how to do that."

The development of the Punto and the Melfi plant mark, too, another watershed for Fiat in development and engineering. For the first time it has developed a new car with a multi-functional "platform team", drawing its own specialists from different functions within Fiat, ranging from design and product engineering to manufacturing engineering, purchasing, finance and marketing.

Fiat claims that it has reduced the development time

of the Punto to 36 months, thus cutting at least a year from its previous development programmes.

The stylish and urbane Cantarella, chief executive of Fiat Auto since 1991, chose himself to be a member of the Punto project team. "This was the first time we have developed a car in this way, and it was important to eliminate operational problems from the start. I was very involved in problem-solving, and it was vital to shorten the decision-making process. This car is most important for our balance sheet. And I am a car guy."

With little to boast about in the present, Cantarella prefers not to dwell on the group's financial performance. Instead, he takes important visitors on a tour of the Fiat styling studios, enthusiastically removing the dust covers from the cars that are supposed to restore some of the glitz to Fiat, Lancia and Alfa Romeo.

Carmakers are normally allergic to revealing future products before they are ready for launch, but Cantarella is eager to show how the future will take shape. He reveals the large new Alfa Romeo saloon to replace the 164 probably in 1996, and already for the end of next year a new Alfa Romeo coupé and convertible.

At the Fiat safety centre in Turin, where crash tests are performed on more than 300 cars a year, he readily points out the wrecked prototypes of a new Fiat Tipo for 1995 and the replacement Alfa Romeo 33 for 1994.

Cantarella has been concerned at the lack of glamour of current products, but he is aiming to change the group's image by introducing a number of small-volume niche products to add excitement to the main volume models, mainly coupés and convertibles. To assemble the niche cars he is turning to the independent Turin design houses, and "carrozzeri" or "body builders".

The death of new product is finally ending, but it will still take another two years before Fiat can start reaping the full benefits as production volumes are raised.

"Fiat is a pretty efficient producer," insists one of its leading component suppliers. "Its problem is not its cost-base but its model range. If it had the models, it would be quite a force. If the Punto is successful it could change its fortunes dramatically."

For Fiat the moment of truth is dawning.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

'Stagflation' is a real possibility

From Mr John Mueller.

Sir, It appears that the fundamental shortcoming in the argument by the "MIT Six" (Personal View, July 29) has not yet been pointed out. The European Community is suffering high and permanent unemployment primarily due to large increases over the past two decades in social benefits and the minimum wage. This has put an above-market floor under wages, causing a labour surplus.

Reflation accompanied by devaluation can reduce such unemployment if it raises the level of prices and nominal incomes while the level of social benefits and the minimum wage remains more or less fixed. But almost all such benefits are now indexed to rise automatically with wages or prices, or provided in kind. Therefore, reflation can reduce permanent unemployment only if minimum wage and benefit formulae are cut or de-indexed at the same time.

Reflation without such changes is merely a formula for 1970s-style "stagflation" - simultaneous high inflation and high unemployment. John Mueller, vice-president and chief economist, Lehman Brothers, 2009 15th Street North, Suite 700, Arlington, Virginia 22201, US.

Ostriches go way back

From Mr Peter J M Rodger.

Sir, Matthew Kaminski's article, "Feathered herds give heavyweight profits" (July 29), talked about ostriches being "first introduced... in the mid-1980s" to the US. In fact, ostrich farms abounded in south-west US more than 70 years or so ago. I recall seeing several old photographs of ostrich farms in Arizona. This is not a new phenomenon, merely an old one revived.

Peter J M Rodger, White Horses, 11 Decondale Drive, Devonshire D107, Bermuda

M25 measure puts Britain en route to recovery

From Mr Ray J Beazley.

Sir, The Confederation of British Industry, the retail trade and many others use sophisticated methods for measuring the state of Britain's economy, but we suggest the M25 motorway is a simpler test.

1. and others in this company, use the M25 regularly and there was an obvious decrease in commercial traffic as the recession tightened its grip. However, in the last few months we have all commented on the way the volume

of traffic is building again. Add to that the fact that, as suppliers of industrial water-filtering equipment, we are seeing a definite upturn in orders from customers with diverse interests, and we reckon the future is looking good.

It would be interesting to know if others have off-beat methods of reading the economy. Ray J Beazley, managing director, Atkins Fulford, Edgworth Road, Sudbury, Suffolk CO10 6TG

NE and carbon emissions savings

From Mr Adrian Ham.

Sir, Charlie Kronick's letter (August 5) is rather simplistic, both in his exposition of nuclear costs and his remedies for greenhouse gas emissions. To put the record straight: nuclear power is already part of the UK's policy for reducing CO₂ emissions.

Nuclear Electric saved the emissions of around 13.5m tonnes of carbon last year, compared with the emission level from the UK fossil fuel mix for the same amount of electricity. If this greenhouse gas saving had been achieved at the cost ratio indicated by the Energy Saving Trust, £1,000 per tonne of carbon, an investment of £13.5bn would be required, half of which would come from levies on the price

of energy to the customer. Everyone realises that the cleanest way of cutting CO₂ levels is to use less energy - we all can and should do what we can, and any sane person wishes to see the EST succeed. But the realistic question is how much is likely to be saved by all the conservation methods available? The EST has set an objective of 2.5m tonnes of carbon by 2000. Before then, Sizewell B will be saving 2m tonnes of carbon a year.

Meanwhile, future nuclear power can produce electricity at 5p/kWh or below, compared with typical large tranche costs for wind power of in excess of 4p. This is on the same capital return basis and includes allowances for all decommissioning costs at the

end of a nuclear plant's life.

As Charlie Kronick knows, most current NE provisions for decommissioning and waste relate to previous CEBG operations of Magnox and AGRs before Nuclear Electric's creation. It is a pity that he missed out the Nuclear Electric position with that of the entire industry, thus managing, unintentionally I am sure, to double the figures for NE's liabilities. Our net asset position is, in fact, improving, as would be expected from a growing and successful company.

Adrian Ham, chief economist, Nuclear Electric, Barnet Way, Barnwood, Gloucester GL4 7RS

Changes, yes - but no 'demise' of The Engineer

From Mr Trevor Crawford.

Sir, Rumours of the "virtual demise" of The Engineer (Letters, July 28) are not merely exaggerated - they fly in the face of the facts.

The latest developments to be unveiled this September are geared to help engineers meet the challenges of today's and tomorrow's manufacturing environment.

There will be a stronger editorial focus on manufacturing-specific, job-useful information, particularly in feature articles. Our popular new technology section will be joined by a

highly selective new product section, and we will reinstate a reader inquiry service. What will not change is our emphasis on hard, interpretative news, underlined by a new editorial design.

With this kind of investment in The Engineer, it should be easy to conclude that we are committed to keeping the stream of information to industry constantly on tap.

Trevor Crawford, publisher, The Engineer, 30 Calderwood Street, London SE18 6QH

FLANDERS



STAR REGION IN EUROPE

Excellent infrastructure facilities: Brussels International Airport - Three major, modern seaports - Superb illuminated, toll-free motorways

Highest per capita exports in the world

At the crossroads of Latin and Germanic cultures, and hence an ideal test market for Europe.

Highly diversified industrial base with unlimited sub-contracting opportunities

Highly qualified, motivated and productive work force

Highest number of quadrilingual speakers in the world

One of the lowest inflation rates in Europe and the industrialised world

Readily available real-estate at competitive prices

Tailor-made incentives offered by the government

Ideal research and development environment thanks to exemplary cooperation between the universities and industry.

Quality of life

A series of travelling presentations have been scheduled as investment seminars, chaired by the Minister-President of the Government of Flanders, from April to September 1993 to introduce "Flanders, Star Region in Europe" in Utrecht, Birmingham, Boston, San Francisco and Silicon Valley, Taipei, Seoul, Tokyo, Stockholm and Milan (with a specific programme for each city).

For more information on investment opportunities in Flanders or on the seminars themselves, please return the form below duly filled in to the Flanders Investment Office (FIO) Headquarters.

Flanders, Star Region in Europe. This is a bold claim, yet one which is backed by quiet confidence and backed by an enviable track record.

Flanders has for centuries been a hub of trade and culture, and its patronage of the arts and learning has always been a direct consequence of the wealth generated through commerce and trade with Europe and the world.

A proud past is not enough to survive and continue to prosper in a world of fierce commercial competition, however. Not content to rest on past achievements, the Government of Flanders has introduced a number of financial incentives to encourage more international investment.

Twelve good reasons to invest in Flanders

Flanders is located in the heart of the main Western European markets and the EC decision-making centre

FIO-Headquarters
Jean Mercken
Managing Director
Markusstraat, 1 - 1000 Brussels, Belgium
Tel: 32-2-507 38 51
Fax: 32-2-507 38 51

FIO-Asia
Ron De Smet
Area Sales Manager - Asia
235 Trade Road
Singapore 1128
Tel: 65-434 75 51
Fax: 65-434 75 51

FIO-USA East
Ron De Smet
235 Trade Road
Wellesley, MA 02158 - USA
Tel: 1-617-228-82 28
Fax: 1-617-228-82 28

FIO-USA West
Philip Vandenberghe
29 Shattuck Drive
Atherton, CA 94027 - USA
Tel: 1-415-306-02 11
Fax: 1-415-306-02 11

FIO-Scandinavia
Matti Bessén
World Trade Center
6, 7th Floor
10021 Stockholm
Sweden
Tel: 46-8-709 62 05
Fax: 46-8-709 62 05



Investment in Flanders
a star choice



Name _____
Address _____

Tick as applicable: ☐ I am interested in information on investment
☐ I am interested in information on the seminar "Flanders, Star Region in Europe"

FIO-Headquarters - Jean Mercken, Managing Director - Markusstraat, 1 - 1000 Brussels, Belgium. Fax 32-2-507 38 51

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Monday August 9 1993

Mr Clinton's taxing deal

A PRESIDENT who fought primary campaigns on the slogan "America can't wait" would doubtless have wanted it to have arrived sooner. But last Friday, after six months' hard wrangling, a version of Mr Clinton's deficit reduction package finally scraped its way out of the US Congress and into law. The deal, for all its flaws, should prove something of a landmark in recent American political history. But Mr Clinton must deliver a great deal more over the next three years if the same is to be said of his presidency.

Judged by its deficit-reducing credentials, the deal is not so different from the plan which Mr Clinton unveiled early in the year. It aims to reduce the US federal budget deficit by \$460bn over the next five years by means of public spending cuts which net \$250bn and tax increases of \$210bn. Total tax revenues will rise by an estimated 0.8 per cent of gross domestic product in the 1993 fiscal year. But much of the package's earlier novelty has been lost. First, the US administration has been forced, in effect, to drop its broad-based energy tax in the face of interest group pressure. The energy tax would have raised \$71bn over five years and, in so doing, would have begun the necessary process of bringing US energy prices into line with those in other industrial countries. In its place, the Senate has sanctioned a rather paltry 4.3 cents rise in the tax on most transport fuels which will bring in a mere \$24.2bn in extra revenue.

Earlier casualty

An earlier casualty was the new administration's plans for increased infrastructure spending. Mr Clinton had planned to boost spending on all forms of public capital. But US economists now estimate that US public investment will fall by 45 per cent this year. There is now nothing in the agreed package to reverse America's long-standing inability to meet the standards of other industrialised countries - to maintain a large and healthy stock of public capital.

Missing, too, from the package is evidence that President Clinton knows how to translate his pre-election commitment to "putting people first" into post-election

actions which enhance capital of the human variety. Instead, just when Europe's leaders are concluding that high labour taxes are bad for employment, Mr Clinton has fallen back on taxes on labour income to get his deficit proposals through - and looks set to do the same in its plans for reforming the US health system. The long-term solution to America's fiscal difficulties must involve some form of value-added consumption tax, not further taxes on employment.

Bigger cut

For all its deficiencies, Mr Clinton's bill should mean a bigger cut in the federal budget deficit than any of his predecessors have delivered. For all its ostensible similarities with President Bush's 1990 Budget Enforcement Act, the Clinton plan should do better, if only because it catches the economy on the way out of a recession as opposed to on the way in.

Nor is the strength of the US recovery likely to be seriously undermined by last week's bill - at least not once most consumers discover that their tax bills are little changed. If anything, Mr Clinton's legislative success should make the recovery more sustainable by keeping long-term bond yields at the historically low levels to which they fell in February when the package was first unveiled.

Yet, in the medium term, America's budget difficulties, and the political chaos they reflect, are not solved by the events of last week. However, impressed the markets appear to be today, by 1998 the US structural budget deficit is projected to return to nearly 3 per cent of GDP and keep on rising thereafter.

Whether Mr Clinton is in the White House to see this will depend, in large part, on the strength of the recovery. But whether he will be judged a great president will depend on his ability not only to begin tracing solutions to America's looming structural problems - its bloated and ineffective social security and health care systems - but to persuade both Congress and the American people that his solutions make sense. Last week's victory marked a beginning. That so much political energy was expended for so little does not bode well.

War and peace in Bosnia

TWO MEETINGS today in two west European cities are supposed to decide the fate of Bosnia. In Geneva peace negotiations are to resume under EC and UN auspices, while in Brussels the North Atlantic Council (Nato's governing body) is to finalise plans for intervention in the war.

Is there a contradiction? Lord Owen, the EC mediator, appears to think so. At a press conference on Friday he blamed the threat of Nato air strikes for causing, or at least contributing to, a breakdown in the peace talks last week. He did not spell it out, but the message is clear. The proposed peace is no longer based on any principle other than recognition of the relative strengths of the different parties to the war. Therefore anything that leads one side to believe its military situation may improve can only delay the peace. Mr Alija Izetbegovic, the Muslim president, hoped that Nato air strikes against the Serbs, or the threat of them, would improve his chances in the war. Therefore he left Geneva, to put off the moment of decision on peace.

Yet Lord Owen admits that the negotiations were already deadlocked on the future status and division of Sarajevo, the Bosnian capital; and there it was the Serbs who hoped to improve their negotiating position through military success. He also says that he needs air power "in reserve to prevent floating" of agreements after they have been reached. It is as though he had forgotten the sad history of his earlier " Vance-Owen" peace plan. A great deal of time was spent discussing the forces to be put in place "to prevent floating" of that plan once it was agreed. But it never was agreed, because the Serbs realised that so long as they did not agree to it no long as no external force was used their own forces could win them a more favourable settlement on the ground.

Divided city

Now the Serbs have got most of what they want, except in Sarajevo. They are determined, it seems, to incorporate at least a substantial part of the capital into their new ethnic state, although before the war the population was mixed, with a Muslim majority in

every municipality. They were quite prepared to go on talking in Geneva while their artillery finished the job of breaking the city's resistance. Thus the logic of Lord Owen's position would lead him, in a few weeks, to put pressure on Mr Izetbegovic to accept the partition of Sarajevo, with presumably some kind of Berlin Wall cutting through the middle of it, while in the city itself thousands more people would be killed, in house-to-house fighting and the UN would be helping evacuate tens of thousands of new refugees.

Use of force

For all the criticism of the Clinton administration's sometimes erratic policy on Bosnia, it is at least trying to prevent that outcome by pressing for the use of force. In the last few days Serb leaders have signalled a willingness to withdraw from recently taken positions overlooking Sarajevo. This is probably bluff or fear, but it does suggest they take the threat of air strikes more seriously than they admit in public - and, one might add, more seriously than the threat deserves, given the well publicised reservations of Nato governments with forces on the ground.

The latter's anxiety is understandable, but the anxiety of British ministers in publicly proclaiming their fears is unpardonable. As it happens, British forces are the least vulnerable to any Serb retaliation, being in a sector where the main fighting is between Muslims and Croats. But Mr John Major and Mr Malcolm Rifkind do those forces no service by advertising their supposed vulnerability. They should simply say that British forces have the full power of the British state behind them, and that anyone who attacks them does so at his peril. Deterrence is more effective if the potential adversary is left guessing about the scale and nature of the reprisal he should expect.

Nato's aim today should be to draw up a list of specific actions, by Serb or other parties in Bosnia, which would provoke military reprisals. By setting clear limits to the further use of force Nato would help, not hinder, a peace settlement which force has already done far too much to shape.

With a deep and graceful bow, Mr Morihiro Hosokawa paid tribute to the heavens for having chosen him as prime minister, completing a remarkable transformation of Japanese politics. His seven-party coalition had secured the rise of a new postwar generation of leaders, installed the first woman speaker of parliament, and condemned the powerful Liberal Democratic party (LDP) to the opposition benches.

These are evocative symbols of upheaval, but do they mark the beginning or the end of political change? An indecisive and disruptive coalition reign would invite the return of a strengthened LDP, now in opposition for the first time in four decades.

Mr Hosokawa and his partners stand on the fringe of uncharted political territory. They can secure the passage of electoral reforms and, as they put it, "reform political thinking", or be distracted by the differences inherent in a conservative coalition that includes a Socialist party and the political arm of a Buddhist movement, *Soka Gakkai*.

Political reform is the priority, but the hotchpotch of parties needs to respond coherently to a slowing economy and trade friction with the US. The coalition members disagree on the future of value added taxation and energy policy, and have been haggling over cabinet positions and bickering with the LDP over parliamentary procedure. The omens are not promising, but the coalition still has the benefit of the doubt at home and abroad.

Financial markets, for example, have taken the coming of coalition government calmly. Conversations and television programmes have been animated by the prospect of the LDP in opposition, and not by a perception that the country is on the brink of crisis. Other governments appear more curious than concerned, sensing that foreign and trade policies will hardly deviate from their present course.

If the coalition partners do keep their promises, there is potential for great deviation, not so much in the detail of present policies, but in the longer-term conduct of politics. Swapping multi-seat constituencies for single seats and proportional representation, and controlling political donations, will alter the electoral system, but the "revolutionary" changes pledged by the parties will come from increased transparency, deregulation and accountability.

Pro-reform parties in the coalition argue that, without these changes, Japan will be unable to develop an international profile appropriate to its economic influence. Mr Ichiro Ozawa, the former LDP power broker now in the backroom at the

Coalition horse rides into town

Japan's new leaders have a rare opportunity to reform the character of domestic politics, says Robert Thomson

Japan Renewal party (JRP), a coalition partner, suggests that "Japanese-style democracy" has outlived its usefulness and the country must "reform our politics, our economy, our society, our consciousness".

The reputation of reform and of reformers in Japan rests with Mr Hosokawa and Mr Tsutomu Hata, who brought down the government by defecting from the LDP and is now the JRP leader. Echoing Mr Ozawa's lofty sentiments, Mr Hata talks of making parliament "a genuine forum for political debate" and turning politicians into "true representatives of modern Japan".

Mr Hata is in a position to prove that his statements are more than the puffery of an ambitious politician courting votes. He is likely to be either foreign or finance minister in the new government. At finance, he would preside over bureaucrats whose arbitrary use of "administrative guidance" gives them intimidating power over financial institutions and the interest rates on a Japanese worker's bank account.

For example, a reform committee of Japanese and foreign banks and brokers recently complained of unnecessary intervention by the finance ministry. It pointed out that no new financial products could be introduced in Japan unless they were specifically permitted; in most other markets, they could be introduced unless specifically forbidden.

The lack of transparency in government also enables politicians to influence the budget process in a way that benefits, for instance, the construction industry more than the average taxpayer. As still-emerging corruption scandals indicate, construction companies are encouraged to donate generously to politicians in return for a contract to build a bridge or to lay concrete on a river bed.

But corruption will not end suddenly with the rise of a pro-reform government. When in opposition, socialist MPs were able to influence public works contracts, directly or through the offices of well-connected LDP officials such as Mr Shin Kanemaru, the fallen godfather now on trial for evading taxes on monies received from construction companies.

Mr Hosokawa, Mr Hata and their



"My lord goes to battle on an eight-legged horse" (Cartoon of Prime Minister Hosokawa reprinted from Yomiuri newspaper)

coalition colleagues can impose a tougher discipline. If politicians' powers of influence over contracts are reduced, the flow of contract-related funds will slow. The coalition wants to ban corporate donations to politicians, but a legislative amendment alone will encourage companies to find more creative ways of disguising illicit funding.

The depth of political change will also depend on the maturing of the coalition members. There is a friendship destined not to last; but three parties, the Social Democratic party, Mr Hosokawa's Japan New

party and the JRP, have the potential to combine into a powerful single party, competing with the LDP, which is still far bigger than its opponents. On the other hand, each could remain a bit player in a fragmented system that would take another election or more to sort out.

If the SDP, formerly the Japan Socialist party, is forced by coalition membership to reverse the more extreme policies that have kept it in opposition, it could emerge with a stronger identity than its conservative counterparts. If not, the SDP will be in danger of

splitting, with more moderate members tempted to join the JNP or JRP and the more Marxist MPs retreating into isolation.

The JNP and JRP have an identity problem. Their ideas cumulate their policy details and they have yet to distinguish themselves clearly from the LDP. Ms Yuriko Koike, a successful JNP candidate, suggested during the election campaign the "people don't want detail, they want change", but, come the next election, repeated citing of the word "reform" may not be enough to attract voters again.

Having seen the tradition of one-party rule rejected, the LDP is beginning to play a useful, defining role as a powerful, belligerent opposition party, which is unusual in Japan. The selection of the relatively young Mr Yohsei Kono, 56, as party president was a response to upheaval: he has a reputation as a reformer dating back to the mid-1970s, when he left the party in protest during another spate of corruption scandals.

The LDP cited Mr Kono's appointment as evidence of "generational change" and "reform", but other executive posts were distributed among the party's leading factions, suggesting that the old hierarchy remains influential and time-serving politicians are still awaiting a turn as prime minister.

Mr Kono is attempting to preempt these challenges. After his selection, instead of retiring to an exclusive bar for the customary whiskies and back-slappping with factional colleagues, Mr Kono did the rounds of leading television stations, launching his leadership and the campaign for the next general election. That election could come at any time.

The coalition has promised to introduce political reform within a year, and then call an election. But the seven parties have yet to agree on the details of reform. Ironically, a dispute over where to draw the new electoral lines could provoke a split and the fall of the government. Japanese parties have an uncanny ability to tolerate incompatibility. The SDP often joins with the LDP and other parties to support consensus candidates in provincial gubernatorial elections. That past co-operation is the basis for the present awkward coalition government and could mean that the partnership has an unexpectedly long shelf life.

In the meantime, the coalition leaders have a chance to reform the character of Japanese politics. If they fail, a political structure battered by the events of the past few months could begin to return to a familiar shape, with a dominant LDP surrounded by a band of directionless opposition parties.

great estates, many owners are struggling to keep them intact and in the family. Some have failed: between 1880 and 1976, the great estates shrank in size by 78 per cent in England and Wales. Estate duty, followed by capital transfer tax in 1975 and inheritance tax in 1986, have forced the sale of 400 historic houses in the past 80 years.

Even when a son inherits cash - the Marquess of Cholmondeley was left £116m, a tidy sum for a peer - he was forced last year to sell a Gainsborough and Holbein in lieu of tax on his father's estate.

Primogeniture, designed as it is to keep the estates intact, is destined to continue. Lady Ann Somerset, the historian daughter of the Duke of Beaufort, cousin to Blandford, thinks it should and will survive. "Only really rigid primogeniture - where the eldest gets masses and millions and the others get not a farthing - will be rare," she says.

"Provided the younger ones aren't cast out into the world, it's fair. Really, the estate can't continue if it's all shared out."

But Mr Nick Howard, of Castle Howard, a second son, predicts that the "flexible primogeniture" will be the way of the future. "These large estates are businesses," he says. "And not all eldest sons make the best businessmen."

Rachel Johnson looks at the debate over primogeniture And the eldest takes all

month's action in the High Court.

As Mr Lawrence Stone, professor of history at Princeton University in the US, points out, the "prime preoccupation of a wealthy English landed gentry was somehow to contrive to preserve his family inheritance intact and to pass it on to the next generation according to the principle of primogeniture."

While wealthy squires' objectives have not changed, their methods may be about to. If the Duke of Marlborough wins, he will set a precedent that others will find hard to ignore. By demolishing the assumption that the eldest son should take over, he is subjecting the business of succession to commercial reality.

The duke wants to prevent his son from automatically inheriting Blenheim Palace and its 11,500 acres. He is so anxious that control of the estate should not fall to the marquis (who is being treated for drug addiction) that he is seeking to overturn the Act of Parliament of 1704 that gave Blenheim to his ancestor, the 1st Duke of Marlborough, in acknowledgement of his

victories on the battlefield.

He wants a new trust to replace the present settlement. This trust would tightly control the sale of land, heirlooms and buildings on the estate. Nothing can prevent Jamie Blandford from taking his title, but someone else seems likely to act as duke in all but name.

The duke may then have saved Blenheim Palace for posterity. But

While Britain still has its great estates, many owners are struggling to keep them in the family

what will he have done to the system that ensured he, and nobody else, became the 11th duke?

The money and land at stake is substantial. Primogeniture helped the British aristocracy remain richer, more illustrious and tightly knit than any other comparable elite. Today, the heir-takes-all tradi-

tion still pays dividends: a British farmer's average landholding in 1992 was over 70 hectares, more than five times the EC average.

Between them, the 21 non-royal dukes, from Abercorn to Westminster, are worth an estimated £4.8bn in income and assets - three-quarters of that belonging to the Duke of Westminster. Mr Dominic Hobson, the financial historian, says this compares with a total of £3.5bn in 1883 (at 1991 prices and only from rental income).

By contrast, continental aristocrats have become so common that their prestige is diminished; and the parcelling of land elsewhere in Europe has diminished estates.

In France, in particular, the post-revolutionary Code Napoléon - which revised common law - demanded that land be divided equally between children. While this meant that most of the peasant class owned plots of land, farms were small and France was unable to benefit as much as Britain from new farm machinery.

But while Britain still has its

Turn down the flame

■ An eerie hush has settled over the UK gas industry - quite a change from the fierce clashes of the past between British Gas and Sir James McKinnon, its regulator at Ofgas. A hush has been called while both sides digest the mammoth 2,000-page Monopolies and Mergers Commission report, which was delivered 10 days ago.

The air of studied unconcern is reinforced by the fact that Sir James has departed for the Italian beaches, while Cedric Brown, chief executive of British Gas, has sought out the charms of Cornwall. So anxious are all parties to prevent leaks of this highly sensitive document that it will be rushed into print a week tomorrow before ministers have even decided whether to accept it.

Usually, Observer gathers, the MMC itself will make a statement next week explaining how it reached its conclusions. This is because there are actually two reports, one commissioned by the DTI and one by Ofgas.

Sir James and trade secretary Michael Heseltine have agreed to exchange theirs so they know the contents of both - which is more than can be said for British Gas itself. Cedric Brown has only received the Ofgas report, and has not yet got the DTI one until next Monday. But he will have an

inkling of the full report because his copy contains a summary of all the MMC's recommendations. He promises to be on hand next week to deliver his views on the report, but Sir James will not be breaking short his holiday.

It is because the MMC has rejected his contention that British Gas should be split up? After battling for years against the gas monopoly, it would be most uncharacteristic of this doughty Scotsman to be absent if the MMC had handed him a famous victory.

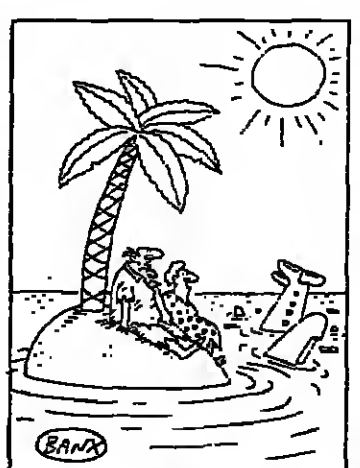
Law maker

■ Contrary to expectations, the recent death of Professor Northcote Parkinson, best remembered for his pronouncements of the blindingly obvious, has not curtailed the supply of new Parkinson's laws. Yesterday, Lord Parkinson, the former Tory party chairman, produced one of his own on Anthony Clare's radio programme, in the Psychiatrist's Chair. "In politics people like to give you what they think you deserve and deny you what they think you want."

Ex-lifeboat man

■ History seldom repeats itself with such vengeance as it has recently for Roger Barnes, the head of banking supervision at the Bank of England who retires this month.

OBSERVER



"I hope we're found soon, I'm all in escudos"

One of his earlier jobs was as secretary of the Lifeboat Committee, which ran the rescue operation for Britain's secondary banks in the crisis of the mid-1970s. Among the first to grab a lifeline was First National Finance Corporation, which received support of some £350m. In recent months Barnes has found himself repeating the exercise with FNFC, negotiating behind the scenes to push the bank's most recent creditors to accept a £1.1bn refinancing. But this time, he has had the deadline of retirement looming.

"This may go some way to explaining his decision to cut

through the red tape. Indeed, one particularly obstreperous foreign creditor was amazed to receive approval for the refinancing from head office before it had even submitted the application. Someone had got there first.

Upon being informed of the event, Barnes is said to have thrown his hands in the air and claimed: "It's a miracle!"

Falling standards

■ Never before has John Major, leader of Britain's least popular big political party, spoken so frankly about his thoughts on everything from formula one grand prix racing to Britain's female cricketing team and the rush to buy new L-registered cars.

In happier times, the prime minister's column in yesterday's News of the World might have been tagged a world exclusive. However this label was reserved for fresh insights into footballer Paul Gascoigne's love life. It is not the first time that down-at-luck Tory politicians have tried to communicate with the masses by standing in for regular NoW columnist, Lord Woodrow - voice of reason - Wyatt.

Indeed, Lady Thatcher once did it. But it is hard to believe that she would have allowed her contribution to be upstaged by a tubby footballer's reminiscences of how a "chocolate Teddy girl tried to tempt me from my Sheryl".

Up the Pole?

■ If the choice of the next president of the European Bank for Reconstruction and Development was in the gift of newspaper leader writers, then 46-year-old Leszek Balcerowicz, the former Polish finance minister, would already have the job. First the New York Times and now The Economist have come out strongly in favour of the man credited with knocking the Polish economy into shape.

Given that Balcerowicz served less than three years in the political frontline as Poland's finance minister, he may lack some political savvy; and, on paper at least, his management skills look no better than those of the EBRD's ex-boss, Jacques Attali. That said, for a man with no obvious public relations skills, Balcerowicz seems to be doing a jolly good job getting his message across.

If only

■ Spotted in the parish magazine of Crockett and the Deverills: "The PCC meeting on Thursday will be gin with a prayer."

Call from Israeli-occupied territories for more say in PLO decisions

Palestinians face leadership split

By Julian O'Connell in Jerusalem
and James Whittington
in Amman

A CRISIS simmering among the Palestinian leadership holed over yesterday as three of its senior members flew to Tunis amid reports that they intended to resign from the Middle East peace talks delegation.

The move, which would threaten the flagging Arab-Israeli peace process, revealed old divisions between Palestinian leaders inside the Israeli-occupied territories and the Tunis-based Palestine Liberation Organisation led by Mr Yasser Arafat.

It also exposed deep frustration about the lack of progress in the peace process after the visit to the region last week by Mr Warren Christopher, US secretary of state, and the increasing desire of Palestinians in the occupied territories for greater democracy.

inside the PLO.

In Israel, the move reignited debate about whether the government should open official contacts with the PLO - one of Israel's greatest political taboos but recently under review.

Mr Haidar Abdel-Shafi, chief Palestinian negotiator, said the three top leaders - Mrs Hanan Ashrawi, Mr Faisal Husseini and Mr Saeb Erekat - were going to band their resignations to Mr Arafat because of differences with the PLO leaders on how best to conduct talks with Israel.

During a transit stop in Amman, Mrs Ashrawi refused to confirm the resignation threat but said there were "serious internal Palestinian issues" that had to be discussed "frankly" in Tunis. Reflecting reports that the three leaders are upset about lack of consultation by Mr Arafat over recent positions presented to the US, Mrs Ashrawi said:

"There is a two-way street of consultations and discussions."

Mr Ziad Abu Ziad, a consultant to the Palestinian delegation, said the latest rift occurred over a PLO-drafted response to Mr Christopher's suggestions for an interim period of Palestinian self-rule. The Palestinian delegation in Jerusalem rejected the document and were upset that the PLO draft had been put to Mr Christopher in Egypt before they were consulted.

Even so, much deeper problems lie behind the latest issue. Palestinian leaders in the occupied territories have said recently that their ability to negotiate with Israel has been completely restricted by Mr Arafat, who remains the dominant figure.

They accuse Mr Arafat of pursuing a strategy of remaining in the peace process without allowing substantial progress. They say he is afraid such progress could lead to the development of alternative Palestinian leadership in the occupied territories during interim self-rule and thus could marginalise the PLO in Tunis.

Mr Arafat, they add, wants to show Israel and the US that there can be no settlement without the direct involvement of the PLO in Tunis. This strategy leaves the Palestinian negotiators vulnerable to criticism by Palestinians who are increasingly angry about the lack of progress and Israel's continued abuse of human rights.

Some Israeli politicians now feel that the PLO in Tunis is more moderate and coherent than Palestinians in the occupied territories, and that the PLO should be brought into the talks. Last week, it was revealed that Mr Yossi Sarid, the environment minister, became the first Israeli cabinet minister publicly acknowledged to have met PLO officials.

could lead to the development of alternative Palestinian leadership in the occupied territories during interim self-rule and thus could marginalise the PLO in Tunis.

Mr Arafat, they add, wants to show Israel and the US that there can be no settlement without the direct involvement of the PLO in Tunis. This strategy leaves the Palestinian negotiators vulnerable to criticism by Palestinians who are increasingly angry about the lack of progress and Israel's continued abuse of human rights.

Some Israeli politicians now feel that the PLO in Tunis is more moderate and coherent than Palestinians in the occupied territories, and that the PLO should be brought into the talks. Last week, it was revealed that Mr Yossi Sarid, the environment minister, became the first Israeli cabinet minister publicly acknowledged to have met PLO officials.

They accuse Mr Arafat of pursuing a strategy of remaining in the peace process without allowing substantial progress. They say he is afraid such progress could lead to the development of alternative Palestinian leadership in the occupied territories during interim self-rule and thus could marginalise the PLO in Tunis.

Mr Arafat, they add, wants to show Israel and the US that there can be no settlement without the direct involvement of the PLO in Tunis. This strategy leaves the Palestinian negotiators vulnerable to criticism by Palestinians who are increasingly angry about the lack of progress and Israel's continued abuse of human rights.

US calls for action over Somali attack

By Roger Matthews
in Washington and Michael
Holman in London

PRESIDENT Bill Clinton yesterday condemned a Somali attack that killed four US soldiers in Mogadishu and vowed "appropriate action" against those responsible.

He said the US would do everything it could to find out who was responsible but stressed Washington would "proceed through the UN as our troops are there are part of the UN."

Mr Clinton defended the UN mission, saying it had averted mass starvation and enabled food

and medicine to reach Somalia. "I still believe the United Nations mission was well-conceived and properly undertaken," he said.

However, the ambush, the third in four days on troops of the UN peacekeeping force, prompted fresh demands in Washington led by Senator Robert Dole, the Republican leader, for a re-examination of the US role in Somalia. The landmine ambush resulted in the highest US death toll in a single incident since American troops arrived in Somalia in December to safeguard relief supplies and end the reign of warlords. Yesterday's deaths bring US fatalities to six.

The UN special representative in Mogadishu, retired US admiral Mr Jonathan Howe, yesterday blamed followers of the fugitive warlord Mohamed Farrah Aideed - sought by the UN force since 24 Pakistani peacekeepers were killed in an ambush in June - for the incident. "We will take appropriate action to ensure we defend our people," Mr Howe said.

Senator Dole said it was time for the administration to reassess US participation in UN operations. Asked if the troops should be withdrawn, he said: "The time may be close."

He recalled that more than 35 UN troops had been killed in

Somalia and thought that pressure on President Bill Clinton to call an end to US participation in the operation would increase.

Mr Dole said it was the view of other senators that the peacekeeping operation had strayed from its original purpose of providing humanitarian assistance.

However, vice-president Mr Al Gore yesterday ruled out an immediate withdrawal of US forces. "We have got a mission there and we are going to continue it."

Mr Gore said the administration would be consulting its allies to decide on the appropriate response to the attack.

Hosokawa on the doorstep

New Japanese PM looks to put official house in order

By Robert Thomson in Tokyo

ELECTED ON a promise to renovate Japanese politics, Mr Morihiro Hosokawa, the new prime minister, was contemplating yesterday what to do about the furniture, the wallpaper and the apparently dodgy plumbing in the house that comes with the job.

"It will need a bit of work," he said, after taking his wife Kayoko on a quick tour of the home. What has suited past Liberal Democratic party prime ministers is not to the taste of a more fashion-conscious first family, as Mrs Hosokawa thought the place "really very old".

The Hosokawas were satisfied that the 61-year-old residence is "large enough", perhaps mindful of the space needed to entertain fellow members of a seven-party coalition government which is due to announce a cabinet today and be formally installed by Emperor Akihito.

Unlike the selection of LDP cabinets, which were generally a matter of long-serving politicians taking their turn in a min-

istry, the Hosokawa cabinet was unknown last night. Talks were continuing last night to balance the interests of the seven parties.

But the lack of early detail on the cabinet also reflects the limited access the Japanese media have to some coalition leaders. Leading newspapers were geared to LDP rule and had committed dozens of journalists to staking out MPs, but they don't have the same links to Mr Hosokawa, a former provincial governor, and other newcomers to government.

The cabinet is being described as the "all-star team", as the seven party leaders are all supposed to be given a post, and there are likely to be one or two academics or other specialists chosen for posts such as education or culture minister.

It is expected that Mr Tsutomu Hata, leader of the Japan Renewal party, will be deputy prime minister and either foreign or finance minister. Mr Akio Morita, chairman of Sony, the consumer electronics company, was a favoured contender last week for foreign minister, but appears to have missed out.

Mr Sadao Yamahana, leader of the Social Democratic party, formerly the Japan Socialist party, is likely to be a "minister responsible for political reform", a difficult post, as many MPs in his own party are opposed to electoral reforms that could cost them a place in parliament.

While Mr Hosokawa has been musing about his cabinet and the new home, Japan's bureaucrats have continued to do things their way. Without consulting the new administration, finance ministry officials are telling other ministries that spending in next year's budget will increase by only 3 per cent.

The ministries are supposed to present their spending plans to the finance ministry by the end of this month, and appear to be ready to continue the plans made under LDP rule. If Mr Hosokawa has different spending priorities or cuts income taxes, as has been hinted, the bureaucrats will have to do their calculations again.

Torrential rain, Page 1
Coalition horse rides into town, Page 11

Major's 'hard Ecu' proposal

Continued from Page 1

might try and accelerate progress towards full monetary union in the wake of the crisis.

The credibility of the ERM may be tested again this week as France, Denmark and Belgium continue to keep their currencies closely tied to the D-Mark by maintaining overnight interest rates in their domestic money markets at very high levels. Some dealers believe that the policy of keeping interest rates high will not be sustainable because of high unemployment.

The hard Ecu project envisages the launch of a pan-European currency whose pace would keep with the value of the strongest European currency at all times.

If the new currency became popular, it would gradually replace the use of national currencies as legal tender. If not, the currency would be allowed to die.

However, economists were sceptical as to whether Britain's EC partners would adopt the idea. Mr Brian Hilliard of Société Générale Strauss Turnbull said the project would involve considerable costs.

THE LEX COLUMN

Budget performance

US government long bond yields around 6.5 per cent hardly suggest that the markets are bothered by the Federal government's budget deficit. President Clinton, however, may be making a mistake when he claims credit for the bond market's recent strength. US growth is still very sluggish and, despite an uptick in the second quarter, inflation is subdued. That is probably more responsible for low bond yields than the president's deficit reduction package. Besides, the national debt and the size of the budget deficit as a proportion of GDP hardly stand out against other OECD countries.

What is more worrying is the way that the politicians have struggled so mightily to bring forth such a weak compromise. Passing the bill was certainly important, given that Mr Clinton had invested so much political capital in it. Yet even on the government's own figures, the deficit will still be \$250bn by 1998, and spending will have risen by 20 per cent - always supposing that expenditure estimates are not exceeded in the way they have been in the past. To be sure, the markets would have responded very badly had the vote failed, and the president's authority has been significantly weakened. Now it has passed, the focus will be on slow growth.

With little sign of the recovery gathering pace, Treasury bonds may well rally further. Equities may also benefit. For those still prepared to overlook the monotonous regularity of exceptional changes in US company results, there is little reason to suppose that equity prices are stretched beyond the limit.

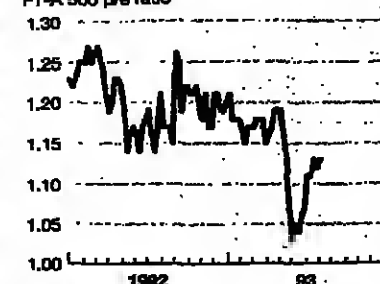
UK stores

It does not take much to tickle a fund manager's jaded palate. Some reasonable retail sales figures, a spurt in the circulation of folding money, and a whiff of interest rate cuts from across the channel is enough to have professional investors switching into UK consumer stocks in the hope of a boost to domestic consumption. Certainly macro-economic forecasts suggest that consumer spending will rise faster now the ERM has gone. There are also worries that the capital goods and export earning companies which have led the market's charge since sterling's exit from the ERM may not look quite so glamorous once their interim figures arrive in September.

In the short term some stores do hold attractions. Despite tough trading

UK stores

FT-A Stores p/e ratio relative to the FT-A 500 p/e ratio



Source: Datastream

conditions the big four, Marks and Spencer, Kingfisher, GUS and Boots the Chemist, seem to be gaining market share from independent retailers and weaker chains. Those with the muscle to provide competitive pricing and value are gaining sales without damaging margins. That squeezes those chains which are stuck with a cycle of seasonal sales to shift stock which will not sell at full margins.

Further out, however, there are worries. The November Budget can only depress consumer confidence, even if some of the more aggressive tax increases are avoided. Consumer perceptions of value will continue to limit the ability to increase margins and the threat of discount formats remains on the horizon. The advocates of Every-day Low Pricing may have the right tactics for the market, but it is hardly a way to get rich quick.

Reuters

Those French politicians who complain about the Anglo-Saxon conspiracy to destroy European monetary union may wish to hedge their position by buying Reuters shares. The company's rapidly advancing share price performance highlights the market's belief that Reuters will gain from currency turmoil. The connection is not immediate since the bulk of Reuters' forex trading screens generate their income from subscription fees rather than transaction charges. But the hope is that banks, which have been running down their European forex operations, may build them up again if the likelihood of monetary union recedes. Reuters would then install more screens. After several years of static installations, Reuters would return to the growth path.

The theory, though, is somewhat

spurious. Despite the recent beating, the concept of a single currency may be far from dead. Moreover, any likely rise in demand for screens would be marginal set against the 200,000 screens Reuters already has installed. Nevertheless, the market's instinct may prove right over the longer run. The instant Dealing 2000 forex trading system, which appears to be gaining critical mass, produces \$25 of income for every deal transacted. Here, volume will clearly be critical for profitability. The product, though, will not contribute significantly to profits for a few years yet. By then, Reuters hopes that even if European foreign exchange trading quietens down, there will be increased trade between the world's more exotic currencies.

Switzerland

The collapse of the ERM looks likely to take some of the shine off the Swiss equity market. Its safe haven status has helped it rise by a third over the past year, but now other European markets may outperform as interest rates come down. Switzerland has to a large extent already enjoyed the relaxation that is expected elsewhere. Short-term rates are only about one point above the 3.4 per cent inflation rate. So the Swiss National Bank has less room for manoeuvre than say, France. It may do little more than follow German rates down, which suggests a strong Swiss franc may dampen domestic recovery prospects.

Some local factors also point to a period of consolidation. Nestlé's share price has finally become caught up in the international anxiety over brands, there is a risk that the banks in which the market has invested a lot of hope, may disappoint at the interim stage. It would be a mistake, though, to take this argument too far. The Swiss market's long climb has been sustained by fundamental underestimation as well as its safe haven status. The former consideration remains valid.

Consensus expectations for earnings growth of about 17 per cent this year put the market on a forward multiple of around 12, which makes it cheap by international standards. And it is not as if interest rates were actually about to rise. The safe haven advantage may even return if other European governments compound currency uncertainty by delaying interest rate cuts. Swiss equities can still scale new peaks, but it will require a little more exertion than before.



**His home is destroyed.
His family is missing.
You can do something to help.**

What comfort can you give to children who've seen their homes destroyed by war in what was once Yugoslavia?
The Red Cross is giving them shelter, food and medicines. We're reuniting thousands with parents who thought they'd never see them again. Already we've got aid through to over 2 million people. Your donation will help even more.

Yes, I want to help

I enclose a cheque/postal order (payable to British Red Cross) for

☐ £250 ☐ £50 ☐ £25 ☐ £15 Other £

Or please debit my Visa/Mastercard/Amex/Diners Club/Switch Card

No.

Today's date

Signature

Call the British Red Cross Hotline to make a credit/debit card donation

071 201 5250

Address

Postcode

Tel.

Now please send this coupon with your donation, to British Red Cross

Former Yugoslavia Appeal, Room 50, FREPOST, LONDON SW14 7YH

*A donation of £20 or more is worth a third as much again through Gift Aid as we can do for you.

☐ Please tick this box if you do not want to receive further information from the Red Cross.

☐ Tick this box if you would like a receipt.



British Red Cross

Europe today

It will continue sunny and warm around the Mediterranean, however, isolated thundery showers may develop over central and southern Italy and around the Adriatic Sea. Depressions approaching from the north-west will begin to bring cooler air into western Europe, Ireland and parts of England will have rain with falling temperatures. Southern England and western France will remain in relatively warm and moist air that has arrived from the south-west. Despite cloudiness, temperatures will rise up to 22C-25C in these regions.

It will continue unsettled with rain in Norway, Denmark and southern Sweden. In Finland and central Sweden, it will be dry with some sunny spells.

Five-day forecast

Vigorous depressions will move into Scandinavia from the west causing unsettled, cool and occasionally windy weather in north-west Europe. There will be more sunshine in southern France, Germany and in the Alps, with temperatures remaining above normal. However, there will be an increasing risk of thundery showers during the week. The Mediterranean will continue to be sunny and warm.

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	31	Chicago	21	Faro	21
Algiers	27	Colombo	20	Frankfurt	21
Amsterdam	27	Copenhagen	20	Glasgow	20
Athens	27	Dakar	29	Hamburg	20
Bangkok	33	Dallas	29	Helsinki	20
Barcelona	33	Darwin	32	Hong Kong	29
Belfast	29	Delhi	34	Honolulu	29
Belgrade	29	Dubai	42	Istanbul	29
		Dublin	21	Manila	29
		Dubrovnik	31	Moscow	29
		Edinburgh	19	Mumbai	33
				Nairobi	29
				Rangoon	29
				Reykjavik	19
				Riyadh	29
				Rome	29
				S. Francisco	20
				Seoul	29
				Shanghai	29
				Stockholm	20
				Strasbourg	29
				Sydney	29
				Taipei	29
				Tokyo	29
				Toronto	29
				Tunis	29
				Vancouver	29
				Vienna	29
				Warsaw	29
				Wellington	11
				Winnipeg	29
				Zurich	29

Our service starts long before takeoff.

Lufthansa
German Airlines

Fail pay
intrum

EUROPE'S LEADING DEBT COLLECTION COMPANY

justitia

THE EUROPEAN ENTRY 1993-94
WHITBREAD AROUND THE WORLD RACE
MARKETING DEPT. 101 20 001 10 10

FINANCIAL TIMES COMPANIES & MARKETS

Monday August 9 1993

TRUCK OF THE YEAR
CARGO 1992

TRUCK OF THE YEAR
EuroTech 1993

INSIDE

Swissair's loss grows as talks continue

Swissair, the Swiss national airline, said its first-half loss widened to SF125m (\$82.7m) from SF111m as operating conditions worsened considerably. The airline is in negotiations with KLM Royal Dutch Airlines, Scandinavian Airlines System and Austrian Airlines aimed at merging activities. Page 15

Shake-up in Swedish building

The planned merger of Tre Byggnads and BPA is set to form Sweden's third largest construction group in a significant rationalisation of the country's hard-hit building sector. Malmö-based Tre Byggnads is buying a majority stake in BPA from a group of trade unions. Page 15

Call of the mainland

Taiwanese business is growing impatient at the brakes that have been placed on commercial links with China by the new authorities. The concern of Taiwan's rulers is that a lifting of restrictions, including permission for direct trade and travel, would accelerate a business exodus and drain investment away from Taiwan. Page 15

Tense week for Spring Ram

Shareholders in Spring Ram, the UK bathroom and kitchen group, face a continuing uncertainty after a week of inconclusive bid talks and growing boardroom tension. The leading of a meeting between Masco Corporation, the US building products group, and Mr Roger Rogers, Spring Ram's new chairman, has not helped the relationship between Mr Rogers and supporters of Mr Bill Rogers, co-founder and former chairman who is continuing as chief executive. Spring Ram said Masco returned to the US without making any offer. Page 14

Bond dealers braced in Italy

Italy's bond dealers are wondering whether the week to come will match the one that has just passed, when investors ploughed into Italian paper to lock into relatively high yields ahead of expected interest rate cuts. The market was at its most active for months, with prices and volumes for 10-year futures rising particularly fast. Page 16

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 15.0, according to IES, the consensus estimates service (last week: 14.9). This compares with an IES average p/e for the "500" of 15.7 (19.3) for calendar 1992. The official FT calculation of the historical p/e based on the latest reported earnings is 16.75 (19.48).

Market Statistics

Best leading rates	22	London share service	24-25
FT 100 index	Back Page	Managed fund service	18-23
FTSE 100 last close	16	Money market	22
Foreign exchange	22	New list issues	17
London recent issues	17	World stock and bonds	18

Companies in this issue

Nirvan	14	Europa Minerals	14
Ajo Wiggins	14	Fortum Oil	14
Austrian	14	Midland	14
Blackwell Oil	14	Hydrex	14
Burnine	14	Kingsleigh Pat	14
Colgate	14	Mead Edm	14
Crown Eyeglass	14	Spring Ram	14

Richard Lapper and David Waller report on upheavals in German insurance

A liability to get worse

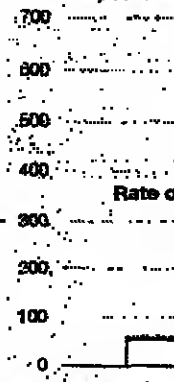
Allianz's international competitors may have breathed a sigh of relief when Europe's largest insurance company reported its 1992 results.

For the first time in more than 20 years the group lost money - some DM400m (\$150m) - on its insurance operations in the traditionally profitable German market. Allianz's after-tax profits were down by 16.1 per cent to DM857.9m and overall underwriting operations remained in deficit for the second year running.

After a long period of relentless expansion, Allianz's difficulties reflect the radical changes affecting the traditionally stable, heavily regulated and highly profitable German insurance market.

Car thefts

Number, 000s



German insurers have long enjoyed wide margins on home, motor and life policies, paying out less in claims and expenses than they receive in premiums. But this has begun to change as a result of several factors:

- A sharp increase in car thefts since the opening of borders with eastern Europe and German reunification in 1990. Some 87,000 cars were stolen in 1991, rising to more than 130,000 last year. Allianz's losses from theft rose by 15-20 per cent in the first quarter of this year.
- Volatile weather patterns. Storm losses at Allianz totalled DM200m in the first six months, up more than 40 per cent. One hail-storm alone, which swept across southern Germany, cost the company DM60m in claims.
- The cost of expanding eastwards. Allianz moved into eastern Germany with the DM71m acquisition of Deutsche Versicherungsmontage, the former state insurance monopoly. Losses are expected to mount to DM1.5bn before the acquisition starts to make a profit in the latter half of the decade. Other German companies are also incurring heavy losses as they build up operations in eastern Germany from scratch.
- Increased competition from banks. As in other countries, German banks have diversified into insurance on the assumption that the distinction between banking and life insurance products is narrowing. Deutsche Bank set up a life insurance company in 1989 and has since acquired stakes in Deutsche Herold, a life insurance company, and Gerling, one of Germany's larger industrial insurers.

The pressures will intensify next year. By July 1994, the European Commission's single market programme will allow insurers from all EC states direct access to each other's markets. At the same time, new European rules will force the German supervisory authorities to scrap restrictions on both prices and policy wordings. Motor liability business and life insurance will be directly affected by the changes, but analysts expect competition to become more intense in other classes too.

These changes should present opportunities for international competitors to increase their share of the German market from their current 13 per cent. Already foreign companies are seeking to take advantage. In particular, France's two largest insurers - Union des Assurances de Paris (UAP) and Assurances Générales de France (AGF) - are keen to expand in Germany as part of their broader European ambitions.

UAP - through its 34 per cent holding in Victoire - owns a sizeable minority stake in Colonia, Germany's third biggest insurer, and is seeking to increase it. Recently AGF, the second largest state-controlled French company, acquired a 33 per cent stake in Aachener und Münchener Beteiligungsgesellschaft (AMB), the second biggest insurance group in Germany.

"Any major insurer with a pan-European strategy would like eventually to have a position in Germany because it is Europe's largest country and because it is perceived to be a good place to expand from into eastern Europe," says Mr Stephen Dias, an analyst with Goldman Sachs.

Allianz's senior executives appear unfazed by the market turbulence and the threat of increased competition.

Mr Uwe Haasen, head of German operations at Allianz, concedes that 1992 will be another tough year with losses in Germany running at a high level in the first six months. But he is confident that this will prove to be a temporary dip.

Most securities analysts covering the company's fortunes agree, arguing that a number of factors will shield Allianz from the impact of greater competition. First, its 17 per cent share of the German general insurance market is nearly three times greater than that of its closest rival, the Colonia Group - and is one of the reasons it enjoys lower costs. In Germany Allianz's expense ratio, which measures costs as a percentage of premium income, amounts to 21 per cent, several points less than most of its competitors not only in Germany but in the broader European market.

Unlike many of its UK rivals who distribute their products through independent brokers, Allianz also controls its sales outlets. Its network of 8,000 full-time and 40,000 50,000 part-time exclusive agents, helps it retain customer loyalty and makes it difficult for competitors to take market share. Allianz retains 90-95 per cent of its customers each year, compared with 75-80 per cent for UK companies.

Allianz's property and financial assets - often valued at the cost at which they were acquired rather than their present market value - represent a huge store of hidden wealth. Mr Tom Bennett, analyst with Banque Paribas Capital Markets, estimates that unrealised capital appreciation on Allianz's 25 per cent holding in Munich Re, Germany's largest reinsurer, exceeded DM1.1bn last year.

And unlike some of its German competitors, Allianz has already begun to reorganise its operations to adjust to the expected increase in competition. At the beginning of 1992 Allianz announced a reorganisation of its business on the basis of customer types: individual customers, small businesses, multinational businesses.

Finally, following its rapid expansion abroad in the late 1980s, Allianz is no longer so dependent on its domestic market. In 1992 subsidiaries in the US, the UK, Italy, France and elsewhere generated nearly half of the DM54.7bn premium income. More recently it has begun to move into Asia, announcing a joint venture with the Japanese retail company, Nichi, to sell personal accident and liability insurances in 50 department stores from the autumn.

Premium income is expected to grow to more than DM60bn in 1994, with general business now as large as the four biggest UK insurance companies together. It looks as though, even with the problems of the German market, there will be little respite for Allianz's rivals.

Funds set sights on European shares

By Sara Webb

EUROPEAN equities, and French shares in particular, have seen a surge in popularity among UK fund managers, according to the latest Smith New Court/Gallup Survey of fund managers released today.

A balance of 37 per cent of fund managers questioned in the monthly survey said they planned to increase their holdings in European equities, compared with only 13 per cent in the July survey. The balance of fund managers refers to the difference between those institutions who are bullish about a market, and those who are bearish about a market.

The sharp rise in the popularity of European equities probably stems from the recent shake-up of the European exchange rate mechanism, seen as paving the way for official interest rates to tumble across continental Europe, which investors hope will stimulate economic recovery.

On the European front, 37 per cent of fund managers said they preferred French equities to German ones as an investment.

Meanwhile, a balance of 33 per cent of managers said they intended to raise their weightings in UK shares, up from 12 per cent in July. A much higher proportion of fund managers now think that the outlook for the UK economy over the next 12 months is brightening.

Expected earnings per share growth for 1994 has jumped from 14.4 per cent to 15.7 per cent.

Institutional investors have lowered their inflation forecasts, predicting that the Retail Price Index will be 2.7 per cent by the end of 1993 and 3.7 per cent by the end of 1994.

On the fixed income side, a balance of 11 per cent of fund managers said they would decrease their holdings in gilts, compared with 1 per cent the previous month, and a balance of 7 per cent said they would decrease their holdings in overseas bonds and deposits, whereas a balance of 3 per cent planned to increase exposure last month.

According to the survey, pension fund assets are allocated as follows: UK equities, 55 per cent; US equities, 6 per cent; European equities, 8 per cent; Japanese equities, 5 per cent; other equities, 5 per cent; UK gilts, 6 per cent; UK property, 4 per cent; UK cash, 3 per cent; overseas bonds and deposits, 3 per cent; index-linked gilts, 2 per cent.

French stores tot up the impact of recession

By Alice Rawsthorn in Paris

GALERIES Lafayette, La Redoute and a number of other leading French retail groups have highlighted the depressed state of the retail sector by announcing falls in sales for the first half of the year.

French retailing has come under intense pressure in recent months as the economy has slid into recession.

The reductions in interest rates since the March parliamentary elections have so far failed to stimulate consumer spending. Confidence is still weak because of the continuing rise in unemployment.

As a result, many large retail groups saw sales fall in the first six months of the year. Galeries Lafayette, the department store concern, reported a 7 per cent reduction in sales from FF14.97bn (\$2.52bn) in the first half of 1992 to FF13.5bn. The group has been affected not only by the French recession but by problems at its flagship store in New York.

Monoprix, a chain of mixed merchandise stores belonging to the Galeries Lafayette group, also registered a fall in inter-sales. Its turnover slipped by 5.7 per cent from FF9.47bn in the first half of 1992 to FF8.68bn.

La Redoute, the dominant player in the French mail order market, saw its sales decline by 3.6 per cent from FF8.91bn to FF8.58bn.

BHV, whose interests include a famous store beside the Hôtel de Ville in Paris, suffered a reduction in first-half sales of 6.7 per cent to FF1.75bn from FF1.88bn.

The news of these falls in sales, which reflects a generally gloomy trend in the French industrial and service sectors, comes at a turbulent time for French retailing. Strains on the sector have triggered a stream of takeover activity.

Concentration of ownership has increased as large groups, such as Pinault-Printemps, Carrefour and Galeries Lafayette, have expanded by acquisition.

Similarly, a number of new players have surfaced in French retailing, notably Tesco, the UK food retailer which took over Catfish supermarkets, and Kingfisher, the UK group that now owns the Darty electricals chain.

Tax fears put blight on US budget relief

President Bill Clinton's long-awaited deficit reduction act has, at last, scraped its way through both Houses of Congress. But, despite the palpable sighs of relief in Washington at the weekend, some economists fear that his plan could deliver the worst of both worlds.

Their worry is that the revenue-raising credentials of Mr Clinton's seemingly dour package of tax increases and spending cuts have been over-sold: the promised cuts in the US budget deficit will not materialise, but Mr Clinton will nonetheless get the blame for scarring the American economy out of the recovery it needs.

For, whatever communication problems the Clinton administration may have had over the past few months, the package has come with a clear message that taxes will rise. Not surprisingly, consumer and business confidence have fallen sharply this year.

The US consumer confidence index, calculated by the Conference Board, a New York Business analysis group, fell to 57.7 in July, the lowest level since last October and sharply down from 78.7 in January. The index of business confidence fell to 57 in the second quarter, from 65 in the first quarter, its lowest level since the end of 1991.

Yet, despite popular fears that the tax burden will rise, Professor Martin Feldstein, head of the economics department at Harvard University and erstwhile chairman of President Reagan's Council of Economic Advisers, contends that many of the projected tax revenues will not materialise.

A longstanding critic of the Clinton tax plan, Professor Feldstein claims that many of the tax changes - such as raising the income tax rate on individuals earning over \$115,000 from 31 to 36 per cent - are so badly designed that taxpayers only need to change their behaviour a little for many of the projected new revenues to evaporate.

According to his calculations, if high-earning individuals are able to lower their taxable income by just 10 per cent of gross adjusted income, then the US Treasury will only see about a quarter of the additional revenues it might have hoped for. The Administration's projections made little allowance for such changes of behaviour as tax avoidance or reduced work effort.

Ironically, the government's reluctant decision to back-date income tax increases to the beginning of 1993, rather than have them start from June 30 as originally planned, provides a short-term answer to Professor Feldstein's criticisms. At least in the first round of revenue-collecting, the government is more likely to collect the full increases because they have been sprung on individuals after the event.

Mr David Hale, an investment analyst at Kemper Financial Services in Chicago, claims that apprehension about Mr Clinton's economic plans is behind the recent slump in consumer and business confidence. He says concerned about the Clinton tax programme "despite the fact that most of the tax increases will fall on incomes above \$100,000."

It is not so much the fine print of Mr Clinton's package that is denting confidence. These corporate worries are bad news for the US economy. Mr Clinton's emphasis on taxing labour - both in the deficit package and through the most likely options for health funding - may have contributed to the uneven recovery in the US jobs market which has accompanied the upturn.

Mr Clinton must hope that the negative effects of this uncertainty on economic growth are more than offset by the positive effect that cutting the deficit should have on investment and thus on America's long-term growth rate. Countries with higher national savings rates tend also to have higher rates of domestic investment in industry.

By persuading the financial markets that the government

Chinese interest in UK flotation

By Terry Byland

THIS week will bring the first listing on the London stock market of a company involving Chinese state ownership, with the quotation tomorrow of Fortune Oil.

Fortune is aiming to capitalise on the rapidly rising stream of oil imports into China.

The company was created via the acquisition by Blackland Oil, a former London USM company, of Kingsleigh Petroleum of Hong Kong.

Kingsleigh's shareholders, which now become investors in Fortune Oil, include such leading Chinese state corporations as China National Electronics Import and Export, China National Aero-Technology Import & Export, and China North Industries.

The new company has been floated in London because the Hong Kong stock market lists no oil and gas companies.

Kingsleigh's owners will hold 70 per cent of Fortune's stock, with Blackland holding only 1 per cent. The rest of the new shareholders, expected to number between 500 and 600, will enter through the London placing of £10m of new shares.

About half of the proceeds of the London placing will be used to pay down debt, with the rest available for additional investments, some in Blackland's interests in small oilfields in Lincolnshire.

Fortune plans a \$25m offshore mooring project and also has a contract with the Maoming refinery, which is one of Fortune's shareholders' ports. The listing of the first "red chip" company, Page 14

Economics Notebook

By Stephanie Flanders

These corporate worries are bad news for the US economy. Mr Clinton's emphasis on taxing labour - both in the deficit package and through the most likely options for health funding - may have contributed to the uneven recovery in the US jobs market which has accompanied the upturn.

Mr Clinton must hope that the negative effects of this uncertainty on economic growth are more than offset by the positive effect that cutting the deficit should have on investment and thus on America's long-term growth rate. Countries with higher national savings rates tend also to have higher rates of domestic investment in industry.

By persuading the financial markets that the government

NEWTON

are moving.

From Monday 9th August

The Newton Group of Companies will be located at

71 Queen Victoria Street, London EC4V 4DR.

Telephone: 071-332 9000 Fax: 071-332 9033

Telex: 291931 NEWTON G.

Newton Management Limited
Newton Investment Management Limited Member of IFA
Newton Fund Managers Limited Member of IFA and IFA
Newton Capital Management Limited Member of IFA
Wellington I.E.S. Limited Member of IFA

COMPANIES AND FINANCE

Seeking a fortune in London

A REVERSE takeover of a UK listed company by a Hong Kong trading concern as a means of increasing sales of oil to communist China might seem a rather tortuous way of going about it. But such is the deal which will lead to the appearance of a new name on the London stock exchange tomorrow: Fortune Oil.

The company has emerged from the acquisition by Blackland Oil, a USM-traded company, of Kingsleigh Petroleum of Hong Kong. Blackland had suffered a string of loss-making years and was heavily indebted. But its reverse takeover by Kingsleigh will enable it to issue £27m of new shares to the vendors, and make a placing of £10m additional shares in the market.

Blackland's original shareholders will end up owning only one per cent of Fortune stock, Kingsleigh's owners will have 70 per cent and the rest of the shareholders will come through the placing.

The deal was constructed in this way to enable Kingsleigh to tap the London market's large oil and gas sector and obtain a listing. The Hong Kong market lists no oil and gas companies and gave Kingsleigh no prospect of being able

David Lascelles on the listing of the first 'red chip' company

to do the deal on its home turf, according to Mr Malcolm Stone, the vice chairman.

He expects to pick up 500-600 shareholders through the placing. Kingsleigh was set up in 1989 to trade crude oil and petroleum products mainly with China, with which it has close links. Its shareholders (who will now be in Fortune) include the founding families from the Far East, as well as several Chinese state corporations, such as China National Electronics Import & Export, China National Aero-Technology Import and Export, and China North Industries.

In fact, it is believed that Fortune will become the London Exchange's first "red chip" company with direct Chinese state ownership. The immediate prospects of Fortune are built round China's expected need for fast-growing oil imports. With an annual growth rate of 9 per cent, the economy is outstripping the capacity of its domestic oil industry. Although China is a large oil producer, it

cannot meet its needs in full, and its best reserves are located in the north west of the country, far from the consuming centres.

This has produced shortages in the booming provinces of the south east, where enterprises have been released from their obligation to import oil through the state oil monopoly.

Fortune has a scheme to install a floating mooring 15km off the south China coast linked by subsea pipeline to the mainland Guangdong province. This will enable oil to be delivered to China in much larger crude carriers than can currently access its ports, and therefore more cheaply.

The installation will be in operation by the end of next year with a capacity of 200,000 barrels a day, or 10m tonnes a year. There will also be storage facilities on shore. The project will cost \$25m (£17m) which is being financed by a bank loan.

point by a pipeline. This will rise to 5m tonnes in 1998. Maoming is also a shareholder in Fortune with 2.6 per cent stake.

Mr Ng Jauk Khoo, a Fortune executive, stresses that while the mooring buoy is key to the strategy, he sees it as the basis for a much wider business in China which will include trading petroleum products and even liquefied natural gas. "The buoy is an extension of our trading business," he says.

At present there are only two refineries serving the six Chinese provinces within striking distance of the facility, but three more are planned.

Proceeds of the £10m placing will help pay down debt and leave the group with about £2m for additional investments. Some of this will be used in the UK where Blackland has interests in several small oilfields in Lincolnshire.

But investor interest in Fortune will doubtless centre most closely on the "China factor" - the country's rapid rate of growth and its growing commercialisation. However Mr Ian Taylor, the chief operating officer, says: "We don't want the China hype. We want the China interest."

Buy-in team acquires Hydron for about £27m

By Catherine Minton

ALLERGAN, the US-based drugs distributor, has sold Hydron, the contact lens maker, to a management buy-in team for about £27m.

Mr Tim Gibson, Hydron's new managing director who led the buy-in team, declined to disclose the full purchase price.

He said CINVEN and CVC Capital Partners, who arranged the finance, had jointly underwritten funds of £14m, entirely in equity. NatWest Acquisition Finance is understood to be providing additional banking facilities of about £13m.

Mr David Milne, CVC assistant director, said: "In the long run it would seem sensible to float the company on the London Stock Exchange. But we have no immediate plans to do so."

Mr Gibson said: "Hydron intends to be at the forefront of research and development in this sector which will be key to the company maintaining and increasing its market share."

The deal excludes the use of the Hydron name in the US. However, the MBI team is buying interests including manufacturing facilities in the UK (Farnborough), Australia and Spain, the contact lens sales force, research and development projects and the rights to patents and licences. The company had a co-operation agreement with Allergan.

Hydron is forecasting sales of £30m for its first full year of operation but is not disclosing any previous results. The new, independent company is expected to employ about 500 people worldwide and will have operations in the UK, France, Netherlands, Spain, Italy and Austria. Hydron claims a significant share of the contact lens markets in each of these countries.

Hydron was one of the first manufacturers makers of soft contact lenses and has been operating internationally since 1972. It was acquired by Allergan in 1988.

Spring Ram shareholders face further uncertainty

By Andrew Bolger

SHAREHOLDERS in Spring Ram, the bathrooms and kitchens group, face continuing uncertainty after a week of inconclusive bid talks and growing tension at board level.

Masco Corporation, one of the largest building products groups in the US, last week met Mr Roger Regan, the Yorkshire company's new chairman.

However, Spring Ram said the Masco executives only spoke in general terms about the industry and returned to the US without making any offer.

The Yorkshire company denied reports that Masco had said it could only offer 45p a share. Last Monday Spring

Ram's shares rose 15p to 60p after it confirmed that talks had taken place with several parties, including Masco, but emphasised that the approaches were of a preliminary nature.

However, the leaking of Masco's approach at the beginning of last week has not helped the working relationship between Mr Regan and supporters of Mr Bill Rooney, the co-founder of Spring Ram who lost his job as chairman but is continuing as chief executive.

Mr Rooney's role as executive chairman was taken a fortnight ago by Mr Regan, a building industry veteran. He was approached by institutions, led by Prudential Corporation, after the company issued three profit warnings within eight months, causing a

collapse in its share price. Mr Regan is working with Mr Rooney on a trial basis and if the relationship does not work out, then Mr Regan has enough votes on the new board to sack him.

The new chairman is now concentrating on preparing for Spring Ram's interim results announcement on September 22, and has said he is not interested in "bargain-hunting". Mr Regan and Mr Martin Towers, his new finance director, are being assisted in their investigations into the company by the Liverpool office of Price Waterhouse, the accountants. Price Waterhouse is likely to replace Spring Ram's existing auditors, Arthur Andersen, which signed off the annual accounts without qualification.

Colorgen acts to dampen speculation

COLORGEN has sought to dampen speculation by forecasting a 9 per cent rise in annual profits before tax and exceptional to about \$1m (£600,000) for the year to the end of June.

The announcement was made following the recent erratic trading of the USM-traded shares of this US-based

colour matching specialist. Sales were estimated to have increased from \$11m to about \$14m. The results are expected to be published in October.

Mr Peter Wall, managing director, said the board had decided to issue the forecast following speculation that profits might be as high as \$2m. Colorgen has also been the

focus recently of takeover speculation, which on one day last month sent its shares 5p higher to 33p. Mr Wall dismissed the rumours as "absolute rubbish", pointing out that the board controlled more than 50 per cent of the shares.

On Friday the shares closed 14 1/4p at 34 1/4p.

NEWS DIGEST

Better time for Crown Eyeglass

DESPITE showing falls of 6 per cent in turnover and profit, Crown Eyeglass is raising its dividend by 1p to 7p for the year ended March 28.

This is a reflection of the directors' confidence. Having established a platform for growth over the last two years, they were now looking for a period of controlled expansion. In the opening two months of the current year profits were ahead of budget and of last year, they said.

In 1992-93 turnover was £3.75m (£3.99m) and pre-tax profit £423,000 (£451,000). Earnings per share rose 13.3p (11.9p) and the final dividend is 4.5p.

The USM-quoted group, which makes spectacles and ready-made reading glasses, had consolidated its position by opening six new retail franchises in the UK and re-establishing itself in Sweden.

Start-up costs were incurred in Sweden. The third optical centre should open next month and additional outlets were envisaged later in the year.

Hilclare cuts loss
Hilclare, the USM-traded designer and maker of electronic security and lighting products, recorded a profit of £18,000 in the second half.

That cut the pre-tax loss for the year ended March 31 1993 to £54,000, compared with a profit of £58,000 in previously. Results continued to reflect the recession in its markets and the year's turnover fell from £2.35m to £2.1m. The second half profit was achieved by reducing the cost base.

With the announcement of

the first half loss of £70,000 the company made a 2-for-7 rights issue at 35p to raise £240,000. The shares are currently trading at 36p.

The dividend is held at 0.5p on the increased capital, payable November 1, and is met from losses per share of 1.3p (earnings 2p).

Arjo Wiggins
Arjo Wiggins Appleton, the paper company, reports turnover up over £1.3bn to £1.43bn in the six months to June 30, benefiting from exchange rate fluctuations.

Arjo made the announcement to comply with Paris Bourse regulations, required because St Louis, the French company, has a 39 per cent holding.

It pointed out that figures may differ from sales revenue shown when the interim statement is published, after the usual management review.

Turnover in the first quarter was £738.1m (£688.2m).

Mt Edon/Burnine

The proposed three-way merger between Europa Mining, a small UK mining finance house, and two Australian companies with which it already has close associations, Austin and Burnine, is looking increasingly problematical after a further intervention by Mount Edon, another Australian concern.

Mount Edon, which is backed by Swiss money, already owns 18 per cent of Europa and recently made an approach which might lead to an offer for the rest.

Now it has turned to Burnine, which some analysts believe might be its prime target, and paid about A\$3.3m for an 8.8 per cent stake. Europa shows a 4.4 per cent of Burnine and Austin holds 19.8 per cent of Europa.

BRADFORD PROPERTY TRUST

Dividend up by 21%

* Profit for the year before tax was £21,094,000 against £23,075,000 in the previous year; these include a net surplus on rental income of £11,828,000 against £9,793,000. The directors recommend the payment of dividends totalling 5.4p per share, an increase of 21% over the 4.45p paid last year.

* Profit from property sales was down £1.96m due to narrower margins in the depressed housing market. However, in the current year, our own indicators show that there has been a sustained increase in activity since early Spring which, looking forward to 1994, should begin to be reflected in sales prices.

* On revaluation of the property assets, the net asset value at 5 April 1993 was £1.70 per share compared with £1.75 per share last year.

* Our policy of retaining some of our properties as they fall vacant continues. Currently, 9% of our tenanted stock is let on Assured or Assured Shorthold tenancies producing an excess of £2.5m per annum, a significant contribution to the net surplus on rental income.

* Recent acquisitions are making satisfactory contributions to both trading and rental income: related borrowings are reducing accordingly. We intend to remain active in the market, taking advantage of suitable opportunities to increase our trading stock, from which, while retained, our management expertise will ensure the maximum contribution to rental revenue.

* I believe that the way ahead offers further exciting opportunities and I have every confidence that we are well equipped to take full and profitable advantage of these.

Philip Warner, Chairman.

Three year profit summary

Year ended 5 April	1991	1992	1993
Rent less rates payable	12,920	14,521	17,362
Surplus from property rentals and other income	9,175	10,358	12,190
Profit subject to taxation	22,995	24,879	29,552
Profit after taxation	15,353	15,624	14,382
Earnings per 5p ordinary share	10.60p	10.76p	9.87p
Dividend per 5p ordinary share (including tax credit)	4.93p	5.93p	7.07p

THE BRADFORD PROPERTY TRUST PLC, 69 MARKET STREET, BRADFORD BD1 1NE

NOTICE OF PARTIAL REDEMPTION

TO HOLDERS OF

DOMUS MORTGAGE FINANCE NO.1 PLC

\$100,000,000

MORTGAGE BACKED FLOATING RATE NOTES DUE 2014
Notice is hereby given that in accordance with Conditions 5(b) and 16 of the Notes, the Issuer hereby gives notice to redeem \$10,200,000.00 principal amount of Notes, selected randomly as detailed below. The date set for the mandatory redemption is the next coupon payment date being 8 September 1993, and the Notes will be redeemed at their principal amount plus accrued interest. Payment will be made against surrender of the Notes, together with all appurtenant Coupons maturing after the date set for redemption at the offices of the Paying Agents, named on the Notes. On and after 8 September 1993, the redeemed Notes will cease to accrue interest.

The amount of any missing unmaturing Coupons will be deducted from the sum due for payment. Any amount of principal so deducted will be paid against surrender of the relative missing Coupons within five years from the date of payment. The redeemed Notes will become void unless presented for payment within ten years of the redemption date.

The nominal amount that will be outstanding after the Notes listed below have been redeemed is \$28,100,000.00.

The Serial Numbers drawn for mandatory redemption are as follows:

108	114	119	121	123	133	147	167	168	181	188	193	206
315	323	334	341	344	358	386	377	379	395	397	327	343
344	351	359	367	367	375	381	388	393	399	410	415	426
429	433	434	436	445	447	452	474	483	491	501	506	523
529	527	546	548	553	554	561	566	577	584	613	631	631
647	648	653	655	662	671	674	679	687	686	704	712	716
723	733	742	747	748	753	758	769	770	783	805	824	826
833	838	846	847	853	850	877	878	898	904	919		

CHEMICAL
Principal Paying Agent

Dated 8th August, 1993.

This Notice is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"). It does not constitute an invitation to the public to subscribe for, or purchase, any securities of Oceonics Group PLC. Application has been made to the London Stock Exchange for permission for the securities mentioned below to be admitted to the Official List. It is expected that listing will become effective and that dealings will commence at 8.30 a.m. on 27 August 1993.

Oceonics Group PLC

(Registered in England No. 1226718)

Placing and Open Offer by

Marshall Securities Limited

of

4,626,947 new 6 per cent. Cumulative Convertible Redeemable Preference Shares 1999

The Listing Particulars relating to the placing and open offer which include details of the new Convertible Preference Shares have been published and copies of the Listing Particulars may be obtained during usual business hours up to and including 11 August 1993, for collection only, from the Company Announcements Office, London Stock Exchange Tower, Capel Court entrance, off Bartholomew Lane, London EC2 1HP and during usual business hours up to and including 26 August 1993 from the registered office of the Company, Hill House, 1 Little New Street, London EC4A 3TR, from the Company's Registrars and paying agents, The Royal Bank of Scotland plc, Registrars Department, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4BR and from:-

Marshall Securities Limited
99 Charterhouse Street
London EC1M 6HR

9 August 1993

LEGAL NOTICES

GRUMBY, DEL OBO, DOLAN, GRIFFINGER & VECCHIONE
A Professional Corporation
One Riverfront Plaza
Newark, New Jersey 07102-5497
(201) 596-4500
Attorneys for Official Creditors' Committee
(1903-0779)

UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF NEW JERSEY

In re: **MUTUAL BENEFIT OVERSEAS, INC.**
Debtor.

NOTICE OF HEARING ON CONDITIONAL SALE OF SUBSTANTIALLY ALL DEBTOR'S ASSETS PURSUANT TO JUDGE'S ORDER

NOTICE is hereby given that a hearing shall be held on August 31, 1993, at 10:00 a.m. or as soon thereafter as counsel may be heard, before The Honorable Nicholas L. Winkfield, United States Bankruptcy Judge, at the United States Bankruptcy Court, King Federal Building, 39 Walnut Street, Third Floor, Newark, New Jersey 07102, to consider and approve the proposed sale of substantially all of the assets of the Debtor, Mutual Benefit Overseas, Inc. ("Debtor") and the Official Creditors' Committee (the "Committee") to the proposed purchaser, as set forth in the proposed sale agreement, and to consider and approve the proposed sale of the Debtor's assets to the proposed purchaser, as set forth in the proposed sale agreement, and to consider and approve the proposed sale of the Debtor's assets to the proposed purchaser, as set forth in the proposed sale agreement.

Dated: August 4, 1993
Newark, New Jersey
By: Paul S. Grumby

New Media Markets



New Media Markets is the definitive publication on the European new media business - providing in-depth news, analysis and market information on cable and satellite television, terrestrial broadcasting, cable telephony, new technologies and what's going on in other new media in the UK and Europe. Published every two weeks by Financial Times Newsletters, New Media Markets has established a remarkable reputation for its in-depth, accurate and exclusive reporting. Whatever your involvement in the cable, satellite and new media industries, New Media Markets will keep you in the picture. We believe you will find it an indispensable aid to your business. For further details and a FREE sample copy please contact: Caroline Skerrow, Financial Times Newsletters, 26 Jermyn St, London, SW1Y 4JF, UK. Tel: +44 (0)71 411 4414. Fax: +44 (0)71 411 4415.

FINANCIAL TIMES
NEWSLETTERS
AVAILABLE ONLY ON SUBSCRIPTION

Sachan Media Co., Ltd.

(the "Company")

(Incorporated in the Republic of Korea with limited liability)

Notice of Bondholders' Additional Option to Redeem Bonds and/or Revoke the Notice of Redemption

To the holders of the Company's outstanding

U.S.\$30,000,000

Convertible Bonds Due 2003

(Redeemable at the option of the Bondholders in 1993 or 1995)

(the "Bonds")

NOTICE IS HEREBY GIVEN that:

(i) under Condition 7(D) of the Bonds, (a) Bondholders may (the "Bondholders' 1993 Put Rights"), subject as therein provided, by completing, signing and depositing at the specified office of a Paying Agent during normal business hours of such Paying Agent not less than 20 nor more than 39 days prior to 4th October, 1993 a notice of redemption in the form (for the time being current) obtainable from any Paying Agent, to require the Company to redeem all or some only of the Bonds held by them at 123.95 per cent of their principal amount together with accrued interest and (b) a notice of redemption, once deposited by a Bondholder, may not be revoked;

(ii) in order to provide Bondholders with greater flexibility as regards their holdings of Bonds, the Company has requested the Trustee to concur with it in modifying the Trust Deed and Condition 7(D) of the Bonds so as to provide additional rights (the "Bondholders' 1993 Put Rights") identical in all respects to the Bondholders' 1993 Put Rights except for the relative redemption date to be 4th October 1995 and the relative redemption amount to be calculated by Darracq Securities Co., Ltd. and approved by the Trustee in accordance with the formula set out in the Supplemental Trust Deed defined in (vi) below;

(iii) The 1995 Put Price shall be notified to Bondholders in accordance with Condition 14 of Part I of the First Schedule of the Original Trust Deed as soon as possible after 21st September, 1993, but in any event, not later than 28th September, 1993;

(iv) In addition, the company has requested the Trustee to concur with it in modifying the Trust Deed and Condition 7(D) of the Bonds so as to permit notices of redemption to be revoked with the written consent of the Company;

Any Bondholder wishing to revoke such notice of redemption must obtain the written consent of the Company by application through one of the Paying Agents set out below prior to depositing a notice of revocation at the office of the Paying Agent where such Bondholder's original notice of redemption was deposited. Any such notice of revocation must be deposited at the offices of such Paying Agent and during normal business hours of such Paying Agent but in any event no later than 5.30 p.m. (local time of the City where the relevant Paying Agent is located) on 28th September, 1993 as regards the 4th October, 1993 Put Date and 28th September, 1995 as regards the 4th October, 1995 Put Date.

(v) The Trustee, being of the opinion that such modifications are not materially prejudicial to the interests of the Bondholders as a whole, has concurred with the Company in making the proposed modifications and (vi) The arrangements set out above will be embodied in a Supplemental Trust Deed to be executed by the Company in favour of the Bondholders on or before 6th August, 1993 (the "Supplemental Trust Deed"). Copies of the final form of the Supplemental Trust Deed are available for inspection at the offices of the Principal Paying Agent and the paying agents set out below:-

Principal Paying Agent:
Citibank, N.A.
136 Strand,
London WC2R 1HS

Paying and Conversion Agents:
Citibank, N.A.
Avenue de Tervuren 249,
B-1150 Brussels
Citicorp Investment Bank
(Switzerland),
63 Bahnhofstrasse,
CH-8021 Zurich
Citicorp Investment Bank
(Luxembourg),
16 Avenue Marie Theres,
Luxembourg
Citibank, N.A.
Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

9th August, 1993

INTERNATIONAL BONDS

Hopes of interest rate cuts fuel European revival

INTEREST rate fever swept through the European bond markets last week with the birth of a brave new world of floating exchange rates.

The decision by European Community finance ministers, taken early on August 2, to move from a fairly rigid European exchange rate mechanism based on narrow fluctuations to one where the fluctuations are wider, has been seen as a strong rally in European bonds. This was prompted on the view that European governments would be free to kick-start their recession-hit economies by swiftly cutting domestic interest rates.

In fact, few cut rates once the shackles were removed, and those who did were far from bold. The Bundesbank surprised the markets with a 15 basis point cut in the fixed rate for 14-day repos, to 8.50 per cent, and an easing in the 28-day repo rate, to 8.70 per cent - which put the latter below the discount rate of 6.75 per cent.

Spain cut its benchmark interest rate by half a point, to 10.5 per cent, while Sweden slipped 25 basis points off its marginal lending rate, to 8.25 per cent. However, there is ample scope for European interest rates to fall further, and the bond markets have soared in response.

Even the Ecu bond market - which is so sensitive to shifts in sentiment regarding the future of Europe - saw a sudden renewal of interest last week. However, while its short-term prospects make it attractive to some investors, there is still a large question mark over its long-term attractions.

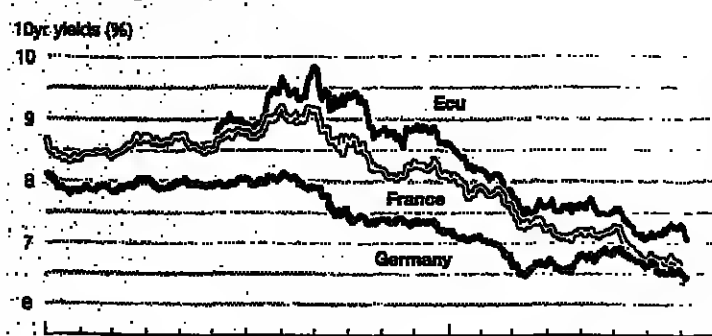
The Ecu bond market took off last week mainly because investors realised the bonds were too cheap, while providing a relatively simple means of benefiting from the potential for interest rate cuts across Europe.

"It's a cost-effective way of gaining exposure to European markets - people buy it as a way of saving dealing costs," says Mr Michael Burke, economist at Citibank.

The actual yield on Ecu bonds was higher than the theoretical yield curve (calculated according to the bond yields of the Ecu's component currencies), which meant the bonds were cheap relative to the theoretical value.

However, last week's rally in the Ecu bond market pushed actual yields below theoretical yields. For example, the actual yield on the 6 per cent, 10-year French Ecu bond was 8.98 per cent on Friday, or 7 basis points below its theoretical yield, while three-month UK Ecu treasury bills had an actual yield of

European yield spreads



Source: Datastream

7.9 per cent, compared with a theoretical yield of 7.96 per cent.

"The actual yield could be as much as 20 to 30 basis points lower than the theoretical yield, and the bonds would still represent good value because of the transaction cost-savings," says Mr Burke.

Mr Bob Tyley, head of bond analysis at Paribas Capital Markets, points out that for investors based outside Europe, the move from semi-fixed to floating exchange rates means there is more uncertainty over which currency will do what. As a result, the basket nature of the Ecu becomes more important, given that the Ecu can be used as a

substitute means of investing in Europe, he says.

Yet for all the short-term euphoria springing from the move to wider fluctuations in the ERM, there is still considerable concern over the future of the Ecu.

"The whole prospect of European monetary union is, if not dead, at least on its death-bed, so it is highly unlikely that the Ecu bond market will enjoy the same attractions as it did before the first Danish referendum on the Maastricht treaty," says Mr Burke.

If there are grave doubts over whether the Ecu will become the single currency for Europe, inves-

tors and issuers may well wonder why they should bother with a market which does not have much of a future and which could suffer from illiquidity - even if Mr John Major does try to relaunch the plan for a hard Ecu.

Ecu bond issuance has certainly dried up since the Danes dealt a blow to hopes of European economic and monetary union last summer. Ecu bond specialists, meanwhile, admit it is hard to see why issuers should tap this market at the moment. In the past, some issues have been swap-driven, but dealers say there are few favourable swap opportunities in Ecu.

So if there is to be a fresh drive to revive the Ecu bond market, it may well have to be politically motivated. In the past, France was one of the keenest advocates of Ecu bond issuance, and had undertaken to conduct about 15 per cent of its funding in Ecu. However, given that French government bond yields are lower than Ecu bond yields, there is no financial incentive for the French to issue Ecu-denominated debt, although those with a keen interest in the Ecu market no doubt will be watching closely to see just how committed the Ecu's supporters prove to be.

Sara Webb

RISK AND REWARD

Directors' stock options packages under scrutiny



Hundreds of otherwise conservative corporate boards of directors have blundered into the derivatives arena, writing options on millions of dollars of the corporation's own stock.

Then, like the world's worst traders, the directors fail to account for the options liability on the corporate balance sheet or take any steps to hedge the options exposure. Shareholders, in the language of options traders, are left naked. In the trading room of an investment bank, this behaviour would be viewed as wildly speculative and irresponsible. In the corporate arena, it is an accepted, and expanding, practice.

Corporations, seeking to design executive compensation plans with built-in performance motivations, routinely grant generous stock options packages. When the options are exercised, new shares are issued, diluting shareholder equity.

Mr Carl Levin, a US Democratic senator from Michigan, calls it "stealth compensation". Since US accounting rules don't require corporations to charge the options liability to earnings, many directors view options as a "free" way to boost compensation packages.

Options compensation proliferated during the 1980s. Many of those perks had eight to 10-year durations, and when US income tax laws changed in 1992, some high-profile executives grabbed headlines with options exercises.

Mr Michael Eisner of Disney, for one, took several hundred million dollars in gains from options exercises in December. The company issued stock to meet his call. The late Mr Steven Ross of Time-Warner was given a lucrative option on 7.2m shares of the company's stock in 1990. Analysts say they are still exercisable by Mr Ross's estate, and are now valued at more than \$50m.

Smaller companies, particularly high-technology firms, may have a surprisingly large percentage of stock exposed to options compensation. Although determining options exposure from a company's annual report is difficult, an estimated 17 per cent of Compag computer, for example, is tied up in options. Typi-

cally, a corporate's options exposure is far smaller, but cannot be viewed, as it often is by corporate boards, as insignificant.

Mr Graef Crystal, Emeritus Professor at the University of Southern California at Berkeley, and an options benefits consultant, says: "The danger of this is that any commodity that is undervalued is usually over-consumed. The biggest barrier to proper accounting for executive options, and for proper hedging, is the perception that options have no value."

The Federal Accounting Standards Board is on the verge of requiring companies to reduce their reported earnings by the value of their stock options. This, many analysts fear, would remove a valuable executive incentive tool. Options traders and institutional investors, however, believe the issue is not accounting rules, but proper management of the options position.

Equity options specialists at Swiss Bank Corp and at Salomon Brothers say that shareholder liability to executive options could be easily managed by an offsetting call purchase. In other words, if Disney any time during the next five years, Disney, at the same time, would buy calls on its own stock from a market-making dealer for the same quantity, duration, and strike price.

The offsetting calls would limit shareholder exposure to the executive's bonus package to the cost of the options premium, should Disney's stock price rise. Dealers estimate the cost of the offsetting option, given the five-year life, would amount to about 25 per cent of the share price. The dealer-issued calls, if exercised, are non-taxable to the corporation, reducing costs.

"Corporations have a hard time with valuing their own options, but we are willing to make a market for them anytime," one options trader notes.

"An executive looking after his own interest will be unwilling to spend millions up-front (for a call premium) to protect shareholders from a liability that may be five or 10 years down the line, even if the options exposure could run into hundreds of millions of dollars."

Laurie Morse

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Kellogg Electric Railway (off)	250	Aug 1997	1.825	100	-	-	Yamichi Int'l (Europe)
Int'l Bank Int'l. Cayman	150	Sep 1997	0	99.88R	-	-	K. Peabody/Lehman Bros.
Inter-American Development Bank	500	Aug 2003	0	99.22R	8.107 +20 (8 1/4%-03)	-	Merrill Lynch Int'l.
Ford Motor Credit Corp (off)	400	Aug 1998	0	99.77R	-	-	Morgan Stanley Int'l.
Banque Paribas	100	Aug 1998	8.25	99.81R	8.300 +115 (8 1/4%-03)	-	ING/VestorPartners
Bayerische Hypothekbank	50	Aug 2003	0	100R	-	-	Goldman Sachs Int'l.
Herman Int'l. Tel. & Inv. Corp.	80	Aug 1998	0	100	-	-	Nikko Securities Asia
Abbey National Treasury Services	250	Sep 1998	4.875	99.88R	4.913 +30 (9 1/4%-03)	-	G. Sachs Asia/Lehman
Philippine Airlines	100	Aug 1998	8	99.4775R	8.200 +375 (8 1/4%-03)	-	Chemical Inv'tment Bank
Banco de Nepal (Hong Kong)	100	Sep 2003	0	99.75R	-	-	Lehman Brothers Int'l.
Chase Manhattan Corp.	100	Sep 2003	0	100R	-	-	Kidder Peabody Int'l.
D-MARKS							
National Bank of Hungary	1bn	Sep 2003	6.75	101.5	6.521	-	Deutsche Bank
Royal Dutch/Shell	150	Aug 1998	6.5	101.5	6.547	-	Deutsche Bank
European Investment Bank	500	Aug 1997	6	101.585	6.610	-	Commerzbank
Bayerische Vereinsbank Oases	500	Sep 1998	6	101.5	6.684	-	Bayerische Vereinsbank
STERLING							
National Power (off)	250	Sep 2008	6.25	100	-	-	CSFB
Honkai Finance No 2 (off)	140	Aug 2000	0	99.98R	-	-	UBS/SG Warburg Secs.
Honkai Finance No 2 (off)	140	Aug 2000	0	100R	-	-	UBS/SG Warburg Secs.
Kingdom of Denmark	700	Aug 1998	6.75	99.67R	6.830 +28 (7 1/4%-98)	-	UBS/SG Warburg Secs.
Kingdom of Denmark	500	Aug 1998	6	99.725R	-	-	UBS/SG Warburg Secs.
Kingdom of Denmark	100	Aug 1998	6.75	99.75R	6.780 +28 (7 1/4%-98)	-	UBS/SG Warburg Secs.
FRENCH FRANCS							
Crédit Local de France	500	Aug 1998	6.75	98.41R	5.880 +18 (6 1/4%-98)	-	Benque Paribas
YEN							
Odaiba Electric Railway (off)	20bn	Sep 1998	1.5	100	-	-	Nikko Europe
Olympic Sports Corp (off)	5bn	Sep 1997	1.75	100	-	-	Nomura International
Michiel Corp.	20bn	Sep 2000	0	100.1R	-	-	Full Int'l. Finance
Meitetsu Corp. (off)	20bn	Sep 1998	7.5	100.15R	3.446	-	Goldman Sachs Int'l.

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
CANADIAN DOLLARS							
General Electric Capital Corp.	150	Sep 1997	6.25	99.62R	6.361	+45 (6 1/4%-98)	JP Morgan/Swiss Bk. Corp.
SNCF	150	Sep 1997	6.25	99.65R	6.361	+45 (6 1/4%-98)	JP Morgan Securities
European Investment Bank	125	Sep 1997	6	99.05R	6.273	+38 (6 1/4%-98)	Barclays de Zeele Wedd.
UBS Australia	150	Sep 1997	6.25	99.65R	6.332	+40 (6 1/4%-98)	UBS
Crédit Lyonnais	150	Sep 1997	6.5	99.265R	6.710	+75 (6 1/4%-98)	Crédit Lyonnais Euro-Secs.
Crédit Local de France	125	Sep 1997	6.375	98.9R	6.404	+47 (6 1/4%-98)	Morgan Stanley Int'l.
AUSTRALIAN DOLLARS							
St. Australian Govt. Fin. Auth.	125	Sep 2003	7.25	100.7	7.150	-	Hambros Bank
St. Australian Govt. Fin. Auth. (off)	25	Sep 2003	7.25	100.6	7.164	-	Hambros Bank
DANISH KRONER							
Finance for Danish Industry	350	Aug 1998	6.75	101.875	6.307	-	Morgan Stanley Int'l.
Mortgage Bank of Denmark	300	Sep 1998	6.825	100.023R	6.619	-	Chemical Investment Bank
SWISS FRANCS							
Hokkaido Gas Corp (off)	100	Aug 1997	1.125	100	-	-	Yamichi Bank (Switz.)
Kato Denki Co. (off)	50	Sep 1997	1	100	-	-	Nomura Bank (Switz.)
Nariki Construction Co. (off)	45	Aug 1997	1	100	-	-	Daiwa Secs. Bk. (Switz.)
LB Schenweg Holstein (off)	40	Sep 1996	4.25	101.5	3.713	-	UBS
LUXEMBOURG FRANCS							
Goldman Sachs Group	1.5bn	Sep 2003	7.625	102.5	7.265	-	Crédit Européen

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE LOAN DESCRIBED BELOW IS NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND.

ISSUE OF £1,300,000,000

8 1/2 % TREASURY LOAN 2007

SCHEDULE OF PAYMENTS:

On issue	£25.00 per £100 nominal of the Loan
On 13 September 1993	£35.00 per £100 nominal of the Loan
On 8 November 1993	£48.50 per £100 nominal of the Loan

£1,000,000,000 of the above Loan has been issued to the Bank of England on 6 August 1993 at a price of £108.50 per £100 nominal of the Loan; the balance of £300,000,000 of the Loan has been reserved for the National Debt Commissioners for public funds under their management.

The Loan will be repaid at par on 16 July 2007.

Interest will be payable half-yearly on 16 January and 16 July. The first interest payment will be made as on 16 January 1994 at the rate of £2.5320 per £100 of the Loan.

Application has been made to the London Stock Exchange for the Loan to be admitted to the Official List; dealings in the Loan are expected to commence on Monday, 9 August 1993.

Copies of the notice in lieu of prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyness Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange in the United Kingdom.

BANK OF ENGLAND

LONDON

6 August 1993

Weekend FT

RESIDENTIAL PROPERTY

Every Saturday the Weekend FT Residential Property section reaches an international market of approximately ONE MILLION READERS in 160 COUNTRIES.

Capitalise on the FT's connections to sell or rent your property.

Advertising is available every week in FULL COLOUR SPOT COLOUR MONO.

For further information please contact

Emma Stevenson
071-873-4896
Julia Copeland
071-873-3307

Fax: 071-873-3098

Financial Times,
One Southwark Bridge,
London SE1 9HL

NEW ISSUE

This announcement appears as a matter of record only.

AUGUST 1993



Chubu Electric Power Company, Incorporated

(Incorporated with limited liability in Japan)

U.S.\$350,000,000

6.25 per cent. Bonds due 2003

Issue Price 99.89 per cent.

IBJ International plc

UBS Limited

Nomura International

Lehman Brothers

Credit Suisse First Boston Limited

Daiwa Europe Limited

Deutsche Bank AG London

Kidder, Peabody International Limited

Merrill Lynch International Limited

J.P. Morgan Securities Ltd.

Morgan Stanley International

Paribas Capital Markets

Sakura Finance International Limited

Salomon Brothers International Limited

S.G. Warburg Securities

MAKE SURE YOU UNDERSTAND THE CHANGES AND OPPORTUNITIES IN EASTERN EUROPE

Read the following publications from the Financial Times.

East European Markets • Finance East Europe
East European Business Law • East European Insurance Report
East European Energy Report

For a FREE sample copy

Please contact: Clare Borrett, Dept. G, Financial Times Newsletters,
126 Jermyn Street, London, SW1Y 4UJ.

Tel: (+44 71) 411 4414 Fax: (+44 71) 411 4415.

FINANCIAL TIMES

FT Business Enterprises Ltd, Registered Office: Number One, Southwark Bridge, London SE1 9HL, England.
Registered No. 980896. VAT Registration No. GB 783 3371 21.

The information you provide will be held by us and may be used by other select quality companies for marketing purposes.

GB

occupied
ing the
is a way
on the
ar abdel-
festinian
s due to
Amman

problem,"
not our
composi-
delegati-
composed
ities,"
foreign
whether
directly
Every-
this ques-
and it is
there is
negotiate
ment.
ed a ban
with the
growing
wing of
the Mer-
coalition
Mr Ara-

ge

also seek
al min-
tries.
pes that
cure the
provide
hammad
mission
agrees in
I recom-
be fund's
oullah,
secretary,
than 80
recomet-
n from a
IMF's
dity and
Adjust-
so years,
so seek-
structural
to meet
payment
to first
to avail-
attention
package
val of a
October

proved
ive cur-
s of the
g Iron
company
en, for
g by
f a con-
water
Chinese
kesman
warded
id Root
onstruc-
subcon-
ng and

er Chi-
is were
ing for-
Ying-
of the
bamical
kesman

re Discl-
ionaries
to take

public
th is a
ment's
ement.
k scan-
ise of
nds to
devel-
larities
He ten-
ons of
by the
o over-
ement
never

va last
e want
e said.
me out
is and
lder to

MAILED
JUN 15

1549

(The page contains faint, illegible markings and noise.)

1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 26

[illegible]

9

[The page contains faint, illegible markings and a vertical line.]

—

17

100

2.50	Acct Gas Light	3.49	3.38	2.48	Malayan
1.46	Acct Nat Inds	1.84	2.39	1.55	Multi Purp
				1.40	

2.42	BIA Index	2.90
2.80	Bond	3.10
0.38	Bourville Copper	0.41

[illegible]

FT MANAGED FUNDS SERVICE

[illegible][illegible]

INCIDENTALS	
Fr	Mo

[illegible]

Dist	Order	Title	City
------	-------	-------	------

1000
--

هكذا من الأصل

47771
 47712
 47713
 47714
 47715
 48048
 48047
 48051
 48054
 48055
 48056
 48057
 48058
 48059
 48060
 48061
 48062
 48063
 48064
 48065
 48066
 48067
 48068
 48069
 48070
 48071
 48072
 48073
 48074
 48075
 48076
 48077
 48078
 48079
 48080
 48081
 48082
 48083
 48084
 48085
 48086
 48087
 48088
 48089
 48090
 48091
 48092
 48093
 48094
 48095
 48096
 48097
 48098
 48099
 48100
 48101
 48102
 48103
 48104
 48105
 48106
 48107
 48108
 48109
 48110
 48111
 48112
 48113
 48114
 48115
 48116
 48117
 48118
 48119
 48120
 48121
 48122
 48123
 48124
 48125
 48126
 48127
 48128
 48129
 48130
 48131
 48132
 48133
 48134
 48135
 48136
 48137
 48138
 48139
 48140
 48141
 48142
 48143
 48144
 48145
 48146
 48147
 48148
 48149
 48150
 48151
 48152
 48153
 48154
 48155
 48156
 48157
 48158
 48159
 48160
 48161
 48162
 48163
 48164
 48165
 48166
 48167
 48168
 48169
 48170
 48171
 48172
 48173
 48174
 48175
 48176
 48177
 48178
 48179
 48180
 48181
 48182
 48183
 48184
 48185
 48186
 48187
 48188
 48189
 48190
 48191
 48192
 48193
 48194
 48195
 48196
 48197
 48198
 48199
 48200
 48201
 48202
 48203
 48204
 48205
 48206
 48207
 48208
 48209
 48210
 48211
 48212
 48213
 48214
 48215
 48216
 48217
 48218
 48219
 48220
 48221
 48222
 48223
 48224
 48225
 48226
 48227
 48228
 48229
 48230
 48231
 48232
 48233
 48234
 48235
 48236
 48237
 48238
 48239
 48240
 48241
 48242
 48243
 48244
 48245
 48246
 48247
 48248
 48249
 48250
 48251
 48252
 48253
 48254
 48255
 48256
 48257
 48258
 48259
 48260
 48261
 48262
 48263
 48264
 48265
 48266
 48267
 48268
 48269
 48270
 48271
 48272
 48273
 48274
 48275
 48276
 48277
 48278
 48279
 48280
 48281
 48282
 48283
 48284
 48285
 48286
 48287
 48288
 48289
 48290
 48291
 48292
 48293
 48294
 48295
 48296
 48297
 48298
 48299
 48300
 48301
 48302
 48303
 48304
 48305
 48306
 48307
 48308
 48309
 48310
 48311
 48312
 48313
 48314
 48315
 48316
 48317
 48318
 48319
 48320
 48321
 48322
 48323
 48324
 48325
 48326
 48327
 48328
 48329
 48330
 48331
 48332
 48333
 48334
 48335
 48336
 48337
 48338
 48339
 48340
 48341
 48342
 48343
 48344
 48345
 48346
 48347
 48348
 48349
 48350
 48351
 48352
 48353
 48354
 48355
 48356
 48357
 48358
 48359
 48360
 48361
 48362
 48363
 48364
 48365
 48366
 48367
 48368
 48369
 48370
 48371
 48372
 48373
 48374
 48375
 48376
 48377
 48378
 48379
 48380
 48381
 48382
 48383
 48384
 48385
 48386
 48387
 48388
 48389
 48390
 48391
 48392
 48393
 48394
 48395
 48396
 48397
 48398
 48399
 48400
 48401
 48402
 48403
 48404
 48405
 48406
 48407
 48408
 48409
 48410
 48411
 48412
 48413
 48414
 48415
 48416
 48417
 48418
 48419
 48420
 48421
 48422
 48423
 48424
 48425
 48426
 48427
 48428
 48429
 48430
 48431
 48432
 48433
 48434
 48435
 48436
 48437
 48438
 48439
 48440
 48441
 48442
 48443
 48444
 48445
 48446
 48447
 48448
 48449
 48450
 48451
 48452
 48453
 48454
 4

● FT Cityline Unit Trust Prices: dial (0691 or 0636) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 9000.

[illegible]

NOTES & LITERATURE - Cont

INVESTMENT TRUSTS - CONT. W33 DE


SECRET - 2025 RELEASE UNDER E.O. 14176

4 pm class August

Continued on next page

TECHNOLOGY THAT WORKS FOR LIFE

Samsung Personal Fax



Telephone Answering Machine
Automatic Paper Cutter
60 Locations Automatic Dial

SAMSUNG
ELECTRONICS

Page, Line Stock High Low Bid Ask High Low Bid Ask High Low Bid Ask

Continued from previous page

- S -									
22	157	S Auto R	1.20	2.20	74	352	175	175	175
23	157	S20N US	0.92	2.68	108	175	175	175	175
24	157	S30S Truck	1.22	4.25	21	175	175	175	175
25	157	S30S Truck	1.20	4.25	21	175	175	175	175
26	157	S30S Truck	1.20	4.25	21	175	175	175	175
27	157	S30S Truck	1.20	4.25	21	175	175	175	175
28	157	S30S Truck	1.20	4.25	21	175	175	175	175
29	157	S30S Truck	1.20	4.25	21	175	175	175	175
30	157	S30S Truck	1.20	4.25	21	175	175	175	175
31	157	S30S Truck	1.20	4.25	21	175	175	175	175
32	157	S30S Truck	1.20	4.25	21	175	175	175	175
33	157	S30S Truck	1.20	4.25	21	175	175	175	175
34	157	S30S Truck	1.20	4.25	21	175	175	175	175
35	157	S30S Truck	1.20	4.25	21	175	175	175	175
36	157	S30S Truck	1.20	4.25	21	175	175	175	175
37	157	S30S Truck	1.20	4.25	21	175	175	175	175
38	157	S30S Truck	1.20	4.25	21	175	175	175	175
39	157	S30S Truck	1.20	4.25	21	175	175	175	175
40	157	S30S Truck	1.20	4.25	21	175	175	175	175
41	157	S30S Truck	1.20	4.25	21	175	175	175	175
42	157	S30S Truck	1.20	4.25	21	175	175	175	175
43	157	S30S Truck	1.20	4.25	21	175	175	175	175
44	157	S30S Truck	1.20	4.25	21	175	175	175	175
45	157	S30S Truck	1.20	4.25	21	175	175	175	175
46	157	S30S Truck	1.20	4.25	21	175	175	175	175
47	157	S30S Truck	1.20	4.25	21	175	175	175	175
48	157	S30S Truck	1.20	4.25	21	175	175	175	175
49	157	S30S Truck	1.20	4.25	21	175	175	175	175
50	157	S30S Truck	1.20	4.25	21	175	175	175	175
51	157	S30S Truck	1.20	4.25	21	175	175	175	175
52	157	S30S Truck	1.20	4.25	21	175	175	175	175
53	157	S30S Truck	1.20	4.25	21	175	175	175	175
54	157	S30S Truck	1.20	4.25	21	175	175	175	175
55	157	S30S Truck	1.20	4.25	21	175	175	175	175
56	157	S30S Truck	1.20	4.25	21	175	175	175	175
57	157	S30S Truck	1.20	4.25	21	175	175	175	175
58	157	S30S Truck	1.20	4.25	21	175	175	175	175
59	157	S30S Truck	1.20	4.25	21	175	175	175	175
60	157	S30S Truck	1.20	4.25	21	175	175	175	175
61	157	S30S Truck	1.20	4.25	21	175	175	175	175
62	157	S30S Truck	1.20	4.25	21	175	175	175	175
63	157	S30S Truck	1.20	4.25	21	175	175	175	175
64	157	S30S Truck	1.20	4.25	21	175	175	175	175
65	157	S30S Truck	1.20	4.25	21	175	175	175	175
66	157	S30S Truck	1.20	4.25	21	175	175	175	175
67	157	S30S Truck	1.20	4.25	21	175	175	175	175
68	157	S30S Truck	1.20	4.25	21	175	175	175	175
69	157	S30S Truck	1.20	4.25	21	175	175	175	175
70	157	S30S Truck	1.20	4.25	21	175	175	175	175
71	157	S30S Truck	1.20	4.25	21	175	175	175	175
72	157	S30S Truck	1.20	4.25	21	175	175	175	175
73	157	S30S Truck	1.20	4.25	21	175	175	175	175
74	157	S30S Truck	1.20	4.25	21	175	175	175	175
75	157	S30S Truck	1.20	4.25	21	175	175	175	175
76	157	S30S Truck	1.20	4.25	21	175	175	175	175
77	157	S30S Truck	1.20	4.25	21	175	175	175	175
78	157	S30S Truck	1.20	4.25	21	175	175	175	175
79	157	S30S Truck	1.20	4.25	21	175	175	175	175
80	157	S30S Truck	1.20	4.25	21	175	175	175	175
81	157	S30S Truck	1.20	4.25	21	175	175	175	175
82	157	S30S Truck	1.20	4.25	21	175	175	175	175
83	157	S30S Truck	1.20	4.25	21	175	175	175	175
84	157	S30S Truck	1.20	4.25	21	175	175	175	175
85	157	S30S Truck	1.20	4.25	21	175	175	175	175
86	157	S30S Truck	1.20	4.25	21	175	175	175	175
87	157	S30S Truck	1.20	4.25	21	175	175	175	175
88	157	S30S Truck	1.20	4.25	21	175	175	175	175
89	157	S30S Truck	1.20	4.25	21	175	175	175	175
90	157	S30S Truck	1.20	4.25	21	175	175	175	175
91	157	S30S Truck	1.20	4.25	21	175	175	175	175
92	157	S30S Truck	1.20	4.25	21	175	175	175	175
93	157	S30S Truck	1.20	4.25	21	175	175	175	175
94	157	S30S Truck	1.20	4.25	21	175	175	175	175
95	157	S30S Truck	1.20	4.25	21	175	175	175	175
96	157	S30S Truck	1.20	4.25	21	175	175	175	175
97	157	S30S Truck	1.20	4.25	21	175	175	175	175
98	157	S30S Truck	1.20	4.25	21	175	175	175	175
99	157	S30S Truck	1.20	4.25	21	175	175	175	175
100	157	S30S Truck	1.20	4.25	21	175	175	175	175

- T -									
101	157	S30S Truck	1.20	4.25	21	175	175	175	175
102	157	S30S Truck	1.20	4.25	21	175	175	175	175
103	157	S30S Truck	1.20	4.25	21	175	175	175	175
104	157	S30S Truck	1.20	4.25	21	175	175	175	175
105	157	S30S Truck	1.20	4.25	21	175	175	175	175
106	157	S30S Truck	1.20	4.25	21	175	175	175	175
107	157	S30S Truck	1.20	4.25	21	175	175	175	175
108	157	S30S Truck	1.20	4.25	21	175	175	175	175
109	157	S30S Truck	1.20	4.25	21	175	175	175	175
110	157	S30S Truck	1.20	4.25	21	175	175	175	175
111	157	S30S Truck	1.20	4.25	21	175	175	175	175
112	157	S30S Truck	1.20	4.25	21	175	175	175	175
113	157	S30S Truck	1.20	4.25	21	175	175	175	175
114	157	S30S Truck	1.20	4.25	21	175	175	175	175
115	157	S30S Truck	1.20	4.25	21	175	175	175	175
116	157	S30S Truck	1.20	4.25	21	175	175	175	175
117	157	S30S Truck	1.20	4.25	21	175	175	175	175
118	157	S30S Truck	1.20	4.25	21	175	175	175	175
119	157	S30S Truck	1.20	4.25	21	175	175	175	175
120	157	S30S Truck	1.20	4.25	21	175	175	175	175
121	157	S30S Truck	1.20	4.25	21	175	175	175	175
122	157	S30S Truck	1.20	4.25	21	175	175	175	175
123	157	S30S Truck	1.20	4.25	21	175	175	175	175
124	157	S30S Truck	1.20	4.25	21	175	175	175	175
125	157	S30S Truck	1.20	4.25	21	175	175	175	175
126	157	S30S Truck	1.20	4.25	21	175	175	175	175
127	157	S30S Truck	1.20	4.25	21	175	175	175	175
128	157	S30S Truck	1.20	4.25	21	175	175	175	175
129	157	S30S Truck	1.20	4.25	21	175	175	175	175
130	157	S30S Truck	1.20	4.25	21	175	175	175	175
131	157	S30S Truck	1.20	4.25	21	175	175	175	175
132	157	S30S Truck	1.20	4.25	21	175	175	175	175
133	157	S30S Truck	1.20	4.25	21	175	175	175	175
134	157	S30S Truck	1.20	4.25	21	175	175	175	175
135	157	S30S Truck	1.20	4.25	21	175	175	175	175
136	157	S30S Truck	1.20	4.25	21	175	175	175	175
137	157	S30S Truck	1.20	4.25	21	175	175	175	175
138	157	S30S Truck	1.20	4.25	21	175	175	175	175
139	157	S30S Truck	1.20	4.25	21	175	175	175	175
140	157	S30S Truck	1.20	4.25	21	175	175	175	175
141	157	S30S Truck	1.20	4.25	21	175	175	175	175
142	157	S30S Truck	1.20	4.25	21	175	175	175	175
143	157	S30S Truck	1.20	4.25	21	175	175	175	175
144	157	S30S Truck	1.20	4.25	21	175	175	175	175
145	157	S30S Truck	1.20	4.25	21	175	175	175	175
146	157	S30S Truck	1.20	4.25	21	175	175	175	175
147	157	S30S Truck	1.20	4.25	21	175	175	175	175
148	157	S30S Truck	1.20	4.25	21	175	175	175	175
149	157	S30S Truck	1.20	4.25	21	175	175	175	175
150	157	S30S Truck	1.20	4.25	21	175	175	175	175

[illegible][illegible][illegible][illegible]

95	134	124	11	+1	+
96	134	124	11	+1	+
97	134	124	11	+1	+
98	134	124	11	+1	+
99	134	124	11	+1	+
100	134	124	11	+1	+
101	134	124	11	+1	+
102	134	124	11	+1	+
103	134	124	11	+1	+
104	134	124	11	+1	+
105	134	124	11	+1	+
106	134	124	11	+1	+
107	134	124	11	+1	+
108	134	124	11	+1	+
109	134	124	11	+1	+
110	134	124	11	+1	+
111	134	124	11	+1	+
112	134	124	11	+1	+
113	134	124	11	+1	+
114	134	124	11	+1	+
115	134	124	11	+1	+
116	134	124	11	+1	+
117	134	124	11	+1	+
118	134	124	11	+1	+
119	134	124	11	+1	+
120	134	124	11	+1	+
121	134	124	11	+1	+
122	134	124	11	+1	+
123	134	124	11	+1	+
124	134	124	11	+1	+
125	134	124	11	+1	+
126	134	124	11	+1	+
127	134	124	11	+1	+
128	134	124	11	+1	+
129	134	124	11	+1	+
130	134	124	11	+1	+
131	134	124	11	+1	+
132	134	124	11	+1	+
133	134	124	11	+1	+
134	134	124	11	+1	+
135	134	124	11	+1	+
136	134	124	11	+1	+
137	134	124	11	+1	+
138	134	124	11	+1	+
139	134	124	11	+1	+
140	134	124	11	+1	+
141	134	124	11	+1	+
142	134	124	11	+1	+
143	134	124	11	+1	+
144	134	124	11	+1	+
145	134	124	11	+1	+
146	134	124	11	+1	+
147	134	124	11	+1	+
148	134	124	11	+1	+
149	134	124	11	+1	+
150	134	124	11	+1	+
151	134	124	11	+1	+
152	134	124	11	+1	+
153	134	124	11	+1	+
154	134	124	11	+1	+
155	134	124	11	+1	+
156	134	124	11	+1	+
157	134	124	11	+1	+
158	134	124	11	+1	+
159	134	124	11	+1	+
160	134	124	11	+1	+
161	134	124	11	+1	+
162	134	124	11	+1	+
163	134	124	11	+1	+
164	134	124	11	+1	+
165	134	124	11	+1	+
166	134	124	11	+1	+
167	134	124	11	+1	+
168	134	124	11	+1	+
169	134	124	11	+1	+
170	134	124	11	+1	+
171	134	124	11	+1	+
172	134	124	11	+1	+
173	134	124	11	+1	+
174	134	124	11	+1	+
175	134	124	11	+1	+
176	134	124	11	+1	+
177	134	124	11	+1	+
178	134	124	11	+1	+
179	134	124	11	+1	+
180	13				

**GET YOUR FT BY HAND DELIVERY
IN STOCKHOLM.**

If you work in the business centres of Malmö, Lund, Stockholm or Gothenburg we'll deliver your daily copy of the FT to your office at no extra cost. Call Bradley Johnson for details (08) 791 2345.



e occu-
asing
1 as a
re on
idar a
Palesti-
ras du
m Am

: probl
 is not
 e com
 ian de
 : comp
 erritor
 :s, for
 ed whe
 ate dire
 d: "Ev
 This o
 e and
 ge. the
 1 negot
 overnm
 nded a
 ; with
 a grow
 aft win
 id the
 s coal
 th Mr

'ee
lge

ny also
ederal
inistries
hopes
secure
to pro
Moham
F mis
olleague
a re
to the fu
Jleemul
secret
ore tha
agreen
\$1bn fr
the M
facility
al Ad
three y
also s
Struct
y to r
of pay
the
made a
Ratifica
n pack
arrival
ter Octo

on

watched
peached
e-run co
volvem
dollar c
its spok

3 approv
h five c
cials of
Eng In
compa
Yen,
ting
: of a c
aste wa
or Chine
ipokesm
as award
and Ro
S constr
ch subce
Eng a

former Chemicals workers are finding for the first time that they are not alone. In Yunnan, an area of the province, a group of toxicologists and spokesmen

1 the Dis
nctionari
ion to tal
id,

its public
month, is
government
management
Bank scar
e use o
Funds t
ate deve
egularitie
public ter
illions o
id by th
nt to over
ocurement
as neve

Kenya last
"We want
," he said
to come ou
months and
boulder to

MONDAY INTERVIEW

Music to Grumpy's ears

Sumner Redstone, owner of Viacom and MTV, talks to Raymond Snoddy

Sumner Redstone's five grandchildren always call him Grumpy. He picked the nickname himself because, although he is 70 and looks like a wise and kindly old grandfather, he did not want to sound like one.

How Redstone gets on with his grandchildren is of more than passing interest outside his family because his business is built around communicating with young people. The grandchildren also act as critics for some of the products he offers in the US and, increasingly, the world.

Redstone owns and runs Viacom, the fast-expanding media group which controls television channels including MTV, the international purveyor of pop and video culture, and Nickelodeon, the successful US children's channel which will be launched in the UK next month as part of British Sky Broadcasting's new subscription package of 14 channels.

This business has given Redstone personal wealth estimated at more than \$3bn, the majority accrued over the past few years when most men would already have retired. Until he was 64, and before he bought Viacom in 1987, Sumner Redstone was worth merely a few hundred million dollars.

"Viacom has been the most exciting, fun experience of my life. I work with everyone. I'm involved with everyone," says Redstone, who could be a surrogate grandfather for many of his staff, whose average age is 27.

Viacom's interests range from cable television systems in west and mid-west America to five television stations and 14 radio stations. The programme channels are at the heart of the business: MTV is available in more than 200m homes, including in Europe and Asia, and MTV Latin America in Spanish will be launched on October 1.

There is also VH-1, a music channel for 25- to 49-year-olds, and Nick At Nike, general entertainment for young adults, which takes over from Nickelodeon in the evening - both are coming to the UK next year as part of the Sky package. In addition, Viacom owns two subscription film channels and syndication rights to comedies such as *The Cosby Show* and *Roseanne*.

"This is essentially a software-driven company," says

Redstone. "Our mission is to drive [the programmes] to every piece in the world and to every new application."

His goal is not solely to make as much money as possible. An old-fashioned Boston liberal, he says he is aware of the responsibilities of being involved in the creation of an international youth culture. Redstone encourages certain limits on what is permissible. For example, MTV rejected Madonna's latest, erotic pop videos on grounds of taste, in the face of considerable criticism about censorship as well as potential financial loss.

The channel may still be 85 per cent music, but it is also starting to do other things. For instance, MTV covered the US presidential campaign and interviewed Bill Clinton on his way to the White House. At the MTV Inaugural Ball, President Clinton acknowledged that MTV had "a lot to do with his victory" by persuading hundreds of thousands of new voters to register.

The programme Fifteen on Nickelodeon, aimed at the high-school audience in the US, deals with difficult issues such as drugs and sex. As part of Nickelodeon's AIDS coverage, a condom was shown in a programme for young children. "I was crying. I literally was crying as I watched that programme. I felt so proud. That would never have appeared on public broadcasting," says Redstone.

Economics and idealism, Redstone insists, go together. He has a vision of an international children's channel, created with local partners - "a chance of an international lobby for the kind of world we want to live in". But he talks about money with equal fluency and enthusiasm.

The Viacom chairman is excited that, in the wake of his leveraged \$3.4bn purchase of the company, its average rate of bank borrowing has fallen substantially. He also points out Viacom's senior debt was upgraded last year by Standard & Poor's, the credit rating agency, to investment grade, and this year \$100m will go to the bottom line from interest savings, owing to the reduction in debt levels.

Last year Viacom had net earnings of \$49m, compared with a net loss of \$50m the previous year, boosted by strong performances by MTV networks and from the compa-

ny's cable television division. Last month, it reported operating profits of \$107m for the second quarter, an increase of 11 per cent over the same period last year.

Redstone's present media success is a long way from the start of his life, as a justice department lawyer. Lawyers, he believes, are "the worst dispensers of human and economic resources I know".

He moved across to business and, with his father, Michael, helped to develop drive-in cinemas in the 1950s, and later became a pioneer of multi-screen cinemas. He still owns National Amusements, which has more than 800 screens in the US and the UK, owns the name Multiplex, and is president of the Theatre Owners trade organisation.

In 1973, Redstone's life was settled and seemingly secure. All that changed one night in a Boston hotel fire.

"It's impossible to explain how bad it was. I was covered in flames," he says. He managed to climb out of his third-floor window and hang on to the window ledge by his fingertips until help arrived.

At first he was not expected to survive. Then he was told he would not be able to walk. But after 60 hours of skin grafts and a lot of determination,

Redstone is now a regular tennis player again. "I have no nightmares about it. What makes me feel very happy is that all of this at Viacom came after the fire so I was able to begin a whole new life," he says.

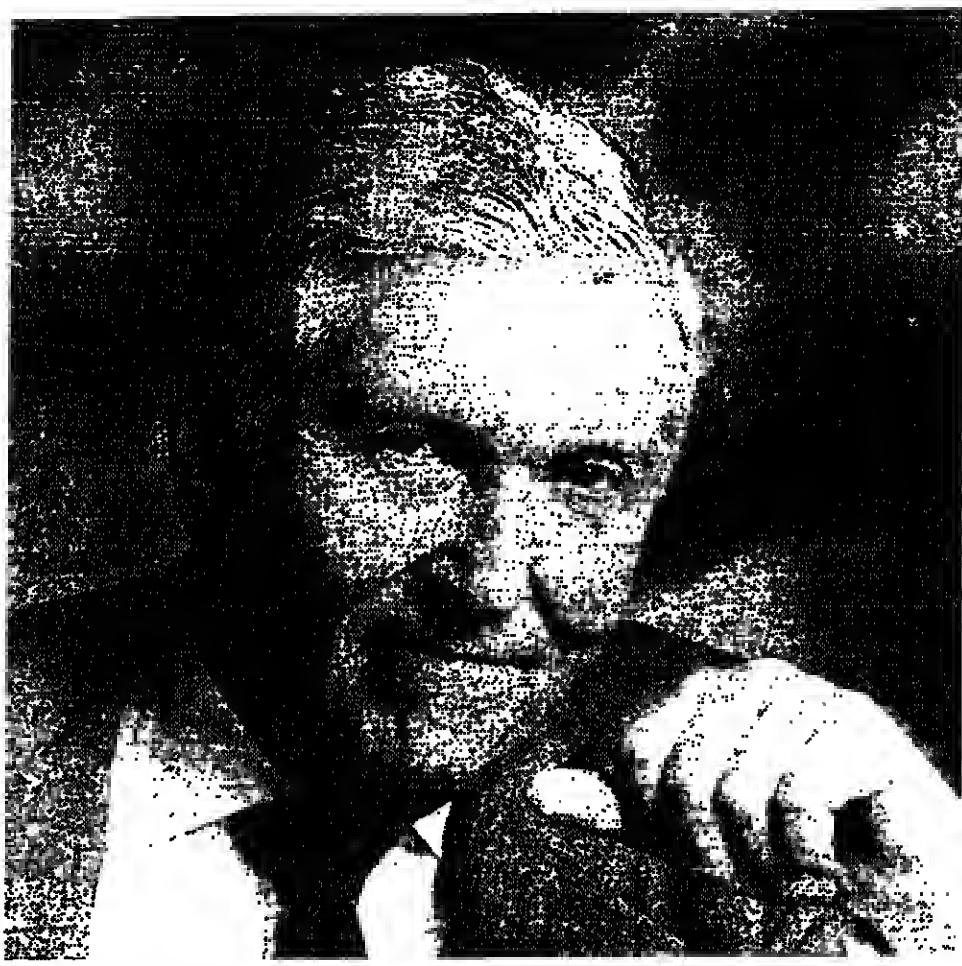
The new business career began almost by accident, when he started taking stock positions in Hollywood companies ranging from Columbia to MGM Home Entertainment. His knowledge of how their products - the movies - were faring at the box office gave him an edge.

Redstone bought a few thousand shares in Viacom in 1985 in the hope of selling them at a profit. He started asking questions about Viacom, and the answers made him consider a more serious role in the company. "It was the flip side of motion picture exhibition," he says. Cinema exhibition was a mature business, but Viacom was in the vanguard of its most dangerous rival - home entertainment.

In his 60s, Redstone mounted his first big hostile takeover - in competition with a Viacom management buy-out team. "We had to B-O-R-O-W [spelling it out for emphasis] \$500m in connection with this company. At National Amusements if we borrowed \$10m or \$15m, that was a major event."

He lured away the highly regarded Frank Biondi - former head of the Home Box Office pay TV movie channel and chairman of the Coca-Cola Television production company - in a multi-million dollar deal to run Viacom.

One of the strengths of the Redstone-Biondi team is in assessing the new opportunities technology is creating for programme distribution, and the growing links between telephone and cable companies.



'I was able to begin a whole new life'

ny's cable television division. Last month, it reported operating profits of \$107m for the second quarter, an increase of 11 per cent over the same period last year.

Redstone's present media success is a long way from the start of his life, as a justice department lawyer. Lawyers, he believes, are "the worst dispensers of human and economic resources I know".

PERSONAL FILE

1923 Born Boston.
1944 Graduated in law from Harvard in 24 years to work on breaking Japanese military codes.
1946-51 Special assistant to US attorney general.
1967 President and chief executive, National Amusements.
1987 Chairman, Viacom International and Viacom Inc.

He moved across to business and, with his father, Michael, helped to develop drive-in cinemas in the 1950s, and later became a pioneer of multi-screen cinemas. He still owns National Amusements, which has more than 800 screens in the US and the UK, owns the name Multiplex, and is president of the Theatre Owners trade organisation.

In 1973, Redstone's life was settled and seemingly secure. All that changed one night in a Boston hotel fire.

"It's impossible to explain how bad it was. I was covered in flames," he says. He managed to climb out of his third-floor window and hang on to the window ledge by his fingertips until help arrived.

At first he was not expected to survive. Then he was told he would not be able to walk. But after 60 hours of skin grafts and a lot of determination,

Redstone is now a regular tennis player again. "I have no nightmares about it. What makes me feel very happy is that all of this at Viacom came after the fire so I was able to begin a whole new life," he says.

The new business career began almost by accident, when he started taking stock positions in Hollywood companies ranging from Columbia to MGM Home Entertainment. His knowledge of how their products - the movies - were faring at the box office gave him an edge.

Redstone bought a few thousand shares in Viacom in 1985 in the hope of selling them at a profit. He started asking questions about Viacom, and the answers made him consider a more serious role in the company. "It was the flip side of motion picture exhibition," he says. Cinema exhibition was a mature business, but Viacom was in the vanguard of its most dangerous rival - home entertainment.

In his 60s, Redstone mounted his first big hostile takeover - in competition with a Viacom management buy-out team. "We had to B-O-R-O-W [spelling it out for emphasis] \$500m in connection with this company. At National Amusements if we borrowed \$10m or \$15m, that was a major event."

He lured away the highly regarded Frank Biondi - former head of the Home Box Office pay TV movie channel and chairman of the Coca-Cola Television production company - in a multi-million dollar deal to run Viacom.

One of the strengths of the Redstone-Biondi team is in assessing the new opportunities technology is creating for programme distribution, and the growing links between telephone and cable companies.

Redstone is now a regular tennis player again. "I have no nightmares about it. What makes me feel very happy is that all of this at Viacom came after the fire so I was able to begin a whole new life," he says.

The new business career began almost by accident, when he started taking stock positions in Hollywood companies ranging from Columbia to MGM Home Entertainment. His knowledge of how their products - the movies - were faring at the box office gave him an edge.

Redstone bought a few thousand shares in Viacom in 1985 in the hope of selling them at a profit. He started asking questions about Viacom, and the answers made him consider a more serious role in the company. "It was the flip side of motion picture exhibition," he says. Cinema exhibition was a mature business, but Viacom was in the vanguard of its most dangerous rival - home entertainment.

In his 60s, Redstone mounted his first big hostile takeover - in competition with a Viacom management buy-out team. "We had to B-O-R-O-W [spelling it out for emphasis] \$500m in connection with this company. At National Amusements if we borrowed \$10m or \$15m, that was a major event."

He lured away the highly regarded Frank Biondi - former head of the Home Box Office pay TV movie channel and chairman of the Coca-Cola Television production company - in a multi-million dollar deal to run Viacom.

One of the strengths of the Redstone-Biondi team is in assessing the new opportunities technology is creating for programme distribution, and the growing links between telephone and cable companies.

How not to give a moral lead

Since it still claims a universal mission, there is no presumption in a non-Catholic writing about the affairs of the Roman Catholic Church.

Indeed, for a lay Anglican, I have got to know recent Popes unusually well. Not that I have ever met one. But it was once my lot to read the tomes of papal encyclicals issued over the past century, and they cast a cruel light on Rome's renewed crusade against birth control and internal dissent.

The toll was not, alas, a course of instruction on the meaning and sanctity of life. It was an attempt to get to grips with the mercurial concept of subsidiarity, an idea made flesh in successive encyclicals since Leo XIII's *Rerum Novarum* (1891), including Paul VI's controversial *Humanae Vitae* (1968).

Subsidiarity, remember, was a cornerstone of the Maastricht treaty. As the rest of the temple crumbles to the ground, it still stands as Jacques Delors's Vatican-inspired solution to the challenge of building a European state without destroying its peoples' way of life.

The ideas behind subsidiarity are simple. Leave unto God what is God's, and within Caesar's realm, pass power down as far as possible, preferably to local communities and families, the building blocks of society.

All the new technical opportunities could provide new outlets for Viacom programmes. Referring to his cinema experience, Redstone argues: "If the motion picture worked, the theatres would. It's the same with the [television] programmes."

He has no intention of easing up, and he says another big acquisition, perhaps of a Hollywood studio, has not been ruled out.

He is still having difficulty coming to terms with one aspect of Viacom - MTV music. "It's not exactly my demographic. I enjoy the dancing, the excitement, the sensuality, but I still like Benny Goodman, Arty Shaw, Tommy Dorsey."

Now, as anyone who has ever watched or participated in the political game ought to know, this is pie in the sky. Without formal checks and balances, achieved through blood or sweat (and usually both), virtually no society in history has for any long period secured rulers obedient to such precepts.

Which brings us straight to *Veritatis Splendor*, the draft encyclical awaiting the present Pope's signature. For the most striking thing about the modern papacy - forget Galileo - is its contempt for its own precepts.

Consider Rome's attitude to the "lower societies" in its own communion. Back at the first Vatican Council of 1870, when

Anyway, why does John Paul II feel it necessary to devote to the "lower societies" on the issue at all? If subsidiarity means anything within the Church, then surely on matters not critical to faith the Pope should refrain from imposing his will and allow the Church on the ground to apply its own Christian conscience to the moral and social problems besetting its members.

John Paul's response, according to the published draft, is highly convoluted, but it seems to run like this. The Church's moral teachings "while they are to be distinguished from the assent to faith, nevertheless enlarge it". The "natural law" from which they are drawn is "universally valid" and only the Pope is capable of expounding it. Its "binding nature" And once expounded, the faithful have no choice but to obey since obedience to the natural law is "necessary for salvation" and "dissent stands in opposition to the unity of the Church".

In other words, there is no role for individuals and "lower societies" to apply their conscience to any moral question once the Pope has expounded the natural law - law which, by its nature, is not written down definitively anywhere save in past papal pronouncements, themselves reflecting the conscience of Christians in previous generations applied to their circumstances.

So much for subsidiarity. The net effect in the west of course, will be further to undermine Catholic teaching and to leave in a moral vacuum Catholics who believe there is any role for individual conscience.

The tragedy is the damage John Paul II will do to the notion of moral and political leadership. For at least, the general conceit that we always know what is best for us, is biting the dust. But as a community in search of a credible moral lead, where do we look? Certainly not to a papacy which rejects outright Newman's profound wisdom that "conscience is the first of all the vicars of Christ".

Pope John Paul II's draft encyclical allows no role for the individual conscience, argues Andrew Adonis

the principle of papal infallibility was codified, the Church as a whole was pronounced infallible, and the Pope was enjoined to consult the brethren before exerting authority.

What process of consultation has there ever been on the question of birth control? Before *Humanae Vitae* a papal commission was established to investigate and solicit views on the issue. A majority of the commission apparently recommended a relaxation of Catholic teaching on the issue, but Paul VI insisted on a blanket ban on "any action which either before, or at the moment of, or after sexual intercourse, is specifically intended to prevent procreation".

This time round, there has not even been a commission. There have been "consultations" with bishops' conferences and interested parties - but if the published draft of *Veritatis Splendor* are remotely accurate, the Church in western Europe and North America was given the deaf ear.

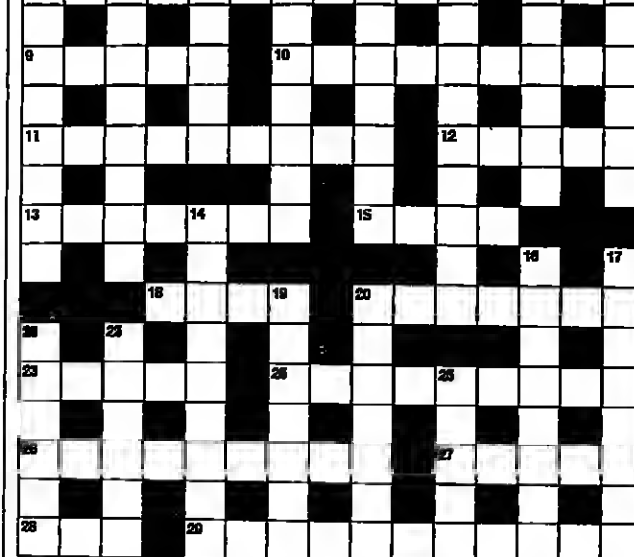
Of broking and jobbing the Pelikan's fond,
See how sweetly he puts your word onto bond.

Pelikan

JOTTER PAD

CROSSWORD

No.8,223 Set by DANTE



- ACROSS
- Riverside tale may be given credit (4,7)
 - Footnote 1 add to a letter from Greece (3)
 - Tom honoured in song (5)
 - They give the running order, of course (4-5)
 - Battering damages seaboard (9)
 - Moony raised by word of mouth (5)
 - Moving in range (7)
 - One after another (4)
 - Spring is something one may associate with flowers (4)
 - Meeting that has no standing? (7)
 - Turn to her or someone else (5)
 - One who may be troubled with heat burns? (9)
 - Upholstery material that is harsh or rough (9)
 - Sensational piece of luck getting free (5)
 - One who fishes for perch (3)
 - But a blunt question may incur it (5,6)
- DOWN
- Personal column (5)
 - Fair verdict on an improved performance (3,2,3)
 - He'd follow the account with a pained expression (5)
 - Strange craving for a piece of sculpture (7)
 - Pawnbroker takes article that's dirty (7)
 - They come to terms with cakes and sweets (4-5)
 - A drink at the station? (5)
 - Where such dealers may end up? (6)
 - They're denied freedom to express their political views (9)
 - Recall having a tie (5)
 - I'd return to root out a poacher (9)
 - Mother hides a mark with cosmetics (7)
 - Hot spot turns out to upset father (7)
 - Tom goes up to her, naturally (5)
 - Given support or cast out (5)
 - Freestyle wrestling can leave one so exhausted (3,2)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 21.

FX and GOLD
24 HR DEALING
Call now for further information

NO MORE DANCING!
SATQUOTE™ - Your single service for real time quotes
Futures * Options * Stocks * Forex * News * Via Satellite
NEW YORK +212 2696656 FRANKFURT +4969 44007

FUTURES & OPTIONS TRADERS
FOR AN EFFICIENT & COMPETITIVE SERVICE

BERKELEY FUTURES LIMITED
38 DOVER STREET, LONDON W1X 3SS
TEL: 01 629 1130 FAX: 01 485 0882

DO YOU WANT TO KNOW A SECRET?
The I.D.S. Gann Seminar will show you how the masters REALLY work the amazing trading techniques of the legendary W.D. Gann can increase your profits and contain your losses. How? That's the secret. Ring 081 474 9295 to book your PRICE place.

TAX-FREE SPECULATION IN FUTURES
To obtain your free Guide to how your Financial Investment can be tax free, call Michael Henry on 01-474-7733 or write to us at 10 Leaden Hall, 24 1/2 Cannon Street, London EC4A 3DF.

Currency Fax - FREE 2 week trial!
From Chart Analysis Ltd.
7 Swallow Street, London W1R 7ED, UK
exchange rate specialists for over 20 years

FOREXIA FAX \$ £ Dm ¥
AN 8 YEAR PUBLIC RECORD OF ACCURATE SHORT TERM FOREIGN EXCHANGE FORECASTS
DAILY FOREIGN EXCHANGE COMMENTARIES
CHARTS, FORECASTS AND RECOMMENDATIONS
Tel: +44 21 948 8216 Fax: +44 21 948 8216

Market Myths and Duff Forecasts for 1993
The US dollar will have higher, not lower, value than the pound. Japan's economy is not in a new bubble. (See 1993 NOT read that in *FullerMoney* - the complete guide to the future of money)
Call John S. Fuller on 01-474-7733 or write to us at 10 Leaden Hall, 24 1/2 Cannon Street, London EC4A 3DF.

CURRENCY MANAGEMENT CORPORATION LTD
WINCHSTER HOUSE, 71 LONDON WALL, LONDON EC3A 7DF
TEL: 01-582 9744 FAX: 01-582 9487

Objective analysis & strategies for the professional investor
Trend Analysis Ltd.
Pentagon House, 37 St James's Street, London W1A 1AB
Winchester House, 50 St James's Street, London W1A 1AB
Tel: 01-474-7733 Fax: 01-474-7733

FOREXIA FAX \$ £ Dm ¥
AN 8 YEAR PUBLIC RECORD OF ACCURATE SHORT TERM FOREIGN EXCHANGE FORECASTS
DAILY FOREIGN EXCHANGE COMMENTARIES
CHARTS, FORECASTS AND RECOMMENDATIONS
Using your fax handset ONLY! Tel: +44 21 948 8216 Fax: +44 21 948 8216

Daily Gold Fax - free sample
From Chart Analysis Ltd.
7 Swallow Street, London W1R 7ED, UK
commodity specialists for over 20 years

VW versus the old school

We can let our industrial structure collapse like the English did, and then the Japanese will come here and have us build cars in Germany from mostly prefabricated parts. For that you need a couple of young people, and they will be more than glad to have any kind of a job," says Mr Ferdinand Piëch.

The Volkswagen chairman may not be much of a diplomat, but as a visionary he is worth a hearing. It is readily acknowledged that much of German industry is overweight, overmanned and overdue for an overhaul.

But is Mr Piëch overdoing things? His colleagues in industry goggled enviously last March when he recruited Mr José Ignacio López de Arriortúa, General Motors' star procurement chief, and seven of Mr López's parts-buying "warriors". They were shocked when GM was forced to use the courts to stop his attempt to lure another 40 from the buying department at Adam Opel, the GM German subsidiary.

And they were struck dumb by what followed. GM's espionage charges were stunning in themselves, and Mr Piëch's more recent nationalist war declarations and charges that GM had conspired to pervert the course of justice deeply disturbed the political and industrial establishment.

But the smoke and noise from these fronts have tended to obscure another conflict at ground level, where Mr López's warriors are bludgeoning price cuts out of VW suppliers. Late last week, the VDMA engineering and plant makers' association begged for mercy and a

return to "civilised" ways of doing business. Large industrial customers - especially the motor industry - were using "extortion" and "extreme aggression", it said. Parts buyers demanded to be given foundry moulds and construction drawings, saying continuity of supply had to be ensured should the suppliers go bust.

Such bully-boy tactics were previously unknown in the co-operative, consensus-oriented world of German commerce.

Still, no one - least of all General Motors - can deny the efficacy of the López slimming cure. It made Adam Opel, GM's German subsidiary, into the most profitable

calling a meeting in the holiday period showed that pressure was mounting

of public backing for VW's policies and tactics from industry or the political establishment - although both are anxious for a lasting cure to Germany's economic ills - suggests VW is moving out on a limb.

Even if Mr Piëch pulls off his ambition of returning VW to break-even this year and profit thereafter, it is likely to be

engineering association's claims that other companies are now following the López example - put brutally, kicking the man on the next rung down the ladder. Instead of calm consensus, there is a growing atmosphere of every man for himself.

Bosch, however, the country's mightiest car parts supplier and a company of the old, more courteous school, believes it can stand above the fray. It says it will follow its own cost-reduction plans at its own pace, and refuse to bow to unreasonable demands.

The company's executives suggest privately that an organised front among lesser companies could deny VW its clamour for pound after pound of flesh.

Is a new consensus - the rest against VW - possible? The absence of backing for VW's policies and tactics from industry or the political establishment - although both are anxious for a lasting cure to Germany's economic ills - suggests VW is moving out on a limb.

An extraordinary meeting of the company's supervisory board, called unexpectedly on Friday, resulted in an extraordinary display of confidence in the effectiveness and honesty of VW's dream team. But the fact that it was called at all, when most of Germany was away on holiday, demonstrated mounting pressure.

Even if Mr Piëch pulls off his ambition of returning VW to break-even this year and profit thereafter, it is likely to be

partly at the expense of the components industry. All native German automotive companies' basic strategies depend on increased purchasing of parts from abroad, and on moving vehicle production closer to markets and into lower-cost production zones outside Germany.

Most Volkswagen included, see this as the best long-term solution to their difficulties. But VW, the country's biggest carmaker and by definition its biggest components user, by aggressively pursuing its own immediate aims, could damage the close-knit network of component suppliers and the collaborative relationship between German carmakers.

In the longer term this could put at risk the home base, on which the whole industry relies to sustain its long-term metamorphosis.

Mr Piëch explains his ardour with claims that the German industry has only two years - the time before Japan's current voluntary quotas expire - to match up to its arch-competitors' cost structures. But even he accepts he cannot come within striking distance in less than three years.

Mr Piëch is making a bold gamble. That his more traditionally minded, long-termist colleagues at Mercedes-Benz, BMW and elsewhere have not thrown their weight behind him suggests they still need to be persuaded he is on to a winner. The legal threats confronting Mr López, on whom the VW chairman has staked his reputation, do not improve his chances of success.

Christopher Parkes